

**LULING
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2025

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

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Introductory Section

CERTIFICATE OF BOARD

Luling Independent School District
Name of School District

Caldwell
County

028-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) _____approved _____disapproved for the year ended June 30, 2025, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

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

Financial Section

WEST, DAVIS & COMPANY, LLP
8200 North Mopac Expressway, Suite 140
Austin, Texas 78759
www.westdavis.com / gary @westdavis.com

Independent Auditors' Report

To the Board of Trustees
Luling Independent School District
Luling, Texas

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Luling Independent School District, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), 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 Luling Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Luling Independent School

District's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Luling Independent School District's basic financial statements. The introductory section and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

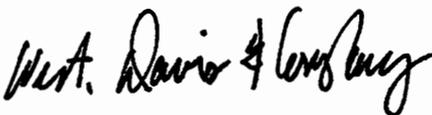
Management is responsible for the other information included in the annual report. The other information as identified in the table of contents comprises the information included in the annual report but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 February 18, 2026 on our consideration of Luling Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Luling Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



West, Davis & Company, LLP
Austin, Texas
February 18, 2026

Luling Independent School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Luling Independent School District (the District), discuss and analyze the District's financial performance for the year ended June 30, 2025. Please read it in conjunction with the independent auditors' report on page 2, and the District's Basic Financial Statements, which begin on page 11. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- At the end of the fiscal year, the General Fund reported a total fund balance of \$8.99 million of which substantially all was unassigned.
- At the end of the fiscal year, the District's total governmental funds (the General Fund plus all state and federal grants funds, and the Debt Service Fund) reported combined ending fund balances of \$10.5 million.
- Total net position of the District as of June 30, 2025 was reported at \$10.2 million.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 11 and 12). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise. Fund financial statements (starting on page 13) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

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

The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 11. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, we classify the District's activities as Governmental activities:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 13 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the ESSA from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

- Governmental funds—Most of the District's basic services are reported in governmental funds. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service funds report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance programs.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and scholarship programs. All of the District's fiduciary activities are reported in the Statement of Fiduciary Net Position on page 20. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the Net Position (Table I) and changes in Net Position (Table II) of the District's governmental and business-type activities.

Net Position of the District's governmental activities increased to \$10.2 million. Unrestricted Net Position – the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$(2.4) million at June 30, 2025. This was a result of the implementation of GASB 68, 75 and 101 as discussed on the following page.

Table I
Luling Independent School District

NET POSITION
in thousands

	Governmental Activities		Change
	2025	2024	
Current and other assets	13,060	12,403	657
Capital assets	40,012	41,058	-1,046
Total assets	53,072	53,461	-389
Deferred Outflow Related to Pensions	1,481	2,829	-1,348
Deferred Outflow Related to OPEB	2,546	2,202	344
Total deferred outflows	4,027	5,031	-1,004
Long-term liabilities	41,165	41,756	-591
Other liabilities	1,903	1,866	37
Total liabilities	43,068	43,622	-554
Deferred Inflow Related to Pensions	423	313	110
Deferred Inflow Related to OPEB	3,405	4,191	-786
Total deferred inflows	3,828	4,504	-676
Net position:			
Invested in capital assets, net of related debt	11,446	11,321	125
Restricted	1,157	1,003	154
Unrestricted	-2,400	-1,958	-442
Total net position	10,203	10,366	-163

Table II
Luling Independent School District

CHANGES IN NET POSITION
in thousands

	Governmental Activities		Changes
	2025	2024	
Revenues:			
Program revenues:			
Charges for services	271	310	-39
Operating grants and contributions	2,781	3,403	-622
General revenues:			
Maintenance and operations taxes	5,600	5,279	321
Debt service taxes	1,797	1,587	210
State aid - formula grants	10,132	9,016	1,116
Investment Earnings	388	408	-20
Miscellaneous	43	36	7
Total Revenues	<u>21,012</u>	<u>20,039</u>	<u>973</u>
Expenses:			
Instruction	9,872	9,469	403
Instructional resources & media services	94	151	-57
Curriculum	807	1,007	-200
Instructional leadership	311	303	8
School leadership	1,255	1,222	33
Guidance/counseling/evaluation services	470	391	79
Social work/health services	294	248	46
Student transportation	453	373	80
Food services	846	890	-44
Cocurricular/extracurricular activities	766	764	2
General administration	825	797	28
Plant maintenance and operations	1,716	1,761	-45
Security and monitoring services	60	19	41
Data processing services	615	610	5
Community services	0	0	0
Debt services	894	932	-38
Payments to fiscal agents	384	446	-62
Other intergovernmental charges	170	182	-12
Total Expenses	<u>19,832</u>	<u>19,565</u>	<u>267</u>
Change in net position	<u>1,180</u>	<u>474</u>	<u>706</u>

NET OTHER LONG TERM LIABILITIES

The District's net OPEB liability at year end totaled \$3.6 million and the pension liability totaled \$5.1 million and the leave liabilities totaled \$1.2 million.

THE DISTRICT'S FUNDS

As the District completed this annual period, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of \$10.5 million, an amount \$0.9 million more than last year. Included in this year's total change in fund balance were Debt Service expenditures of \$1.8 million.

Over the course of the year, the Board of Trustees revised the District's budget. These revisions involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

In accordance with GASB 34, the District has recorded depreciation expense associated with all of its capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2025 amounted to \$40 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, and machinery and equipment. The total decrease in the District's investment in capital assets, net of depreciation for the current year was 2.5% or \$1 million. A detail of capital assets is as follows:

Table III
Luling Independent School District
Capital Assets Net of Depreciation
in thousands

	Governmental Activities		Change
	2025	2024	
Land	73	73	0
Buildings	54,002	54,003	-1
Furniture and Equipment	3,018	2,753	265
Total	<u>57,093</u>	<u>56,829</u>	<u>264</u>
Less Accumulated Depreciation	-17,082	-15,771	-1,311
Capital assets, net of depreciation	<u><u>40,011</u></u>	<u><u>41,058</u></u>	<u><u>-1,047</u></u>

Debt

At year-end, the District had \$29.2 million in bonds and notes outstanding versus \$30.2 million last year. A detail of outstanding debt is as follows:

Table IV
Luling Independent School District
Outstanding Debt
in thousands

	Governmental Activities		Change
	2025	2024	
General Obligation Bonds	27,410	28,215	-805
Maintenance Tax Notes	1,752	1,983	-231
Accounting loss on refunding	-5	-11	6
Issuance Premium	2,444	2,585	-141
Total	<u><u>31,601</u></u>	<u><u>32,772</u></u>	<u><u>-1,171</u></u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected officials considered many factors when adopting the fiscal year 2025-2026 budget and tax rates. Those factors include property values, tax compression, changes in enrollment, the economy, and legislative mandates. This year is the sixth year that the M&O tax rate was calculated for the District and had to be within certain parameters when compared to other school districts. The I&S tax rate is set at a rate to cover the 2026 bond payments.

The District's budgeted expenditures for the 2025-2026 school year total \$17,490,966 for the General Fund, \$1,017,342 for the Food Service Fund, and \$1,801,300 for the Debt Service Fund. The District's Board of Trustees adopted an M&O tax rate of \$0.6669 as calculated by the State and due to required compression. They adopted an I&S tax rate of \$0.1800 for a combined total rate of \$0.8469 per \$100 valuation.

Economic factors for Luling Independent School District are looking up with growth in the industrial park adding aerospace manufacturing. The \$1M infrastructure grant to the industrial park suggests targeted efforts for economic diversification and job growth (especially high-tech/manufacturing) within the Luling area. The first phase of the new subdivision north of Luling is nearing completion which will provide affordable housing for the area.

The District continues to participate in the CEP Program for our Food Nutrition Program and continues to offer free breakfast and lunch to all students. This ensures that every child in the District has access to nutritious meals each school day, removing barriers to learning and supporting student success.

The District is in a small, but stable community that is seeing steady population growth and economic investment. This balanced growth is beneficial, as it allows the District to plan carefully for the future without overwhelming current resources. Enrollment has increased slightly for the 2025-2026 school year, a positive indicator that families are choosing the District as a place to live and learn.

Capital equipment/projects in the 2025-2026 budget are mostly transportation related, ensuring that students are transported safely and reliably to and from school and extracurricular activities. In addition, the budget includes completion of the ongoing technology network upgrade, a project that strengthens digital learning opportunities and ensures that teachers and students have access to reliable, modern tools to support instruction.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Luling Independent School District, 115 W. Bowie Street, Luling, Texas 78648, Phone (830) 875-3192.

Basic Financial Statements

LULING INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2025

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 2,112,366
1120	<i>Investments - Current</i>	6,687,445
1225	<i>Property Taxes Receivable (Net)</i>	1,275,823
1240	<i>Due from Other Governments</i>	2,971,328
1300	<i>Inventories</i>	11,452
1490	<i>Other Current Assets</i>	1,766
Capital Assets:		
1510	<i>Land</i>	73,215
1520	<i>Buildings and Improvements, Net</i>	39,230,345
1530	<i>Furniture and Equipment, Net</i>	708,107
1000	Total Assets	<u>53,071,847</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	<i>Deferred Outflow Related to Pensions</i>	1,481,143
	<i>Deferred Outflow Related to OPEB</i>	2,545,900
1700	Total Deferred Outflows of Resources	<u>4,027,043</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	71,358
2140	<i>Interest Payable</i>	375,571
2150	<i>Payroll Deductions and Withholdings</i>	301,763
2160	<i>Accrued Wages Payable</i>	1,027,357
2200	<i>Accrued Expenditures / Expenses</i>	127,083
2300	<i>Unearned Revenue</i>	1
Long-Term Liabilities:		
2516	<i>Premium & Discount on Issuance of Bonds</i>	2,443,959
2501	<i>Due Within One Year</i>	1,066,000
2502	<i>Due in More Than One Year</i>	28,942,223
2540	<i>Net Pension Liabilities</i>	5,097,766
2545	<i>Net Other Post-Employment Benefits Liability</i>	3,614,760
2000	Total Liabilities	<u>43,067,841</u>
DEFERRED INFLOWS OF RESOURCES:		
	<i>Deferred Inflow Related to Pensions</i>	422,946
	<i>Deferred Inflow Related to OPEB</i>	3,405,047
2600	Total Deferred Inflows of Resources	<u>3,827,993</u>
NET POSITION:		
3200	Net Investment in Capital Assets	11,446,319
Restricted For:		
3850	Debt Service	1,140,254
3870	Campus Activities	16,295
3900	Unrestricted	(2,399,812)
3000	Total Net Position	<u>\$ 10,203,056</u>

The accompanying notes are an integral part of this statement.

LULING INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 9,871,483	\$ 163,785	\$ 1,320,684	\$ (8,387,014)	
12	Instructional Resources and Media Services	93,694	--	5,596	(88,098)	
13	Curriculum and Instructional Staff Development	806,759	--	104,793	(701,966)	
21	Instruction Leadership	311,025	--	20,045	(290,980)	
23	School Leadership	1,254,683	--	81,472	(1,173,211)	
31	Guidance, Counseling, and Evaluation Services	470,195	--	25,601	(444,594)	
32	Social Work Services	133,706	--	124,268	(9,438)	
33	Health Services	160,151	--	7,969	(152,182)	
34	Student Transportation	452,993	--	18,958	(434,035)	
35	Food Service	846,348	61,710	864,253	79,615	
36	Extracurricular Activities	766,233	37,544	21,213	(707,476)	
41	General Administration	825,056	--	35,377	(789,679)	
51	Plant Maintenance and Operations	1,715,569	--	86,476	(1,629,093)	
52	Security and Monitoring Services	60,325	--	32,908	(27,417)	
53	Data Processing Services	615,404	7,554	31,289	(576,561)	
72	Interest on Long-term Debt	893,184	--	--	(893,184)	
73	Bond Issuance Costs and Fees	1,000	--	--	(1,000)	
93	Payments Related to Shared Services Arrangements	383,915	--	--	(383,915)	
99	Other Intergovernmental Charges	170,064	--	--	(170,064)	
TG	Total Governmental Activities	<u>19,831,787</u>	<u>270,593</u>	<u>2,780,902</u>	<u>(16,780,292)</u>	
TP	Total Primary Government	<u>\$ 19,831,787</u>	<u>\$ 270,593</u>	<u>\$ 2,780,902</u>	<u>(16,780,292)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				5,600,140	
DT	Property Taxes, Levied for Debt Service				1,796,619	
IE	Investment Earnings				388,539	
SF	State Aid-Formula Grants				10,132,352	
MI	Miscellaneous				42,509	
TR	Total General Revenues				<u>17,960,159</u>	
CN	Change in Net Position				1,179,867	
NB	Net Position - Beginning				10,365,884	
PA	Prior Period Adjustment				(1,342,695)	
	Net Position - Beginning, as Restated				9,023,189	
NE	Net Position - Ending				<u>\$ 10,203,056</u>	

The accompanying notes are an integral part of this statement.

LULING INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund	onmf Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 Cash and Cash Equivalents	\$ 531,150	\$ 1,124,904	\$ 403,867	\$ 2,059,921
1120 Current Investments	6,687,445	--	--	6,687,445
1225 Property Taxes Receivable, Net	1,012,308	263,515	--	1,275,823
1240 Due from Other Governments	2,811,082	--	160,246	2,971,328
1260 Due from Other Funds	60,152	--	--	60,152
1300 Inventories	11,452	--	--	11,452
1490 Other Current Assets	1,766	--	--	1,766
1000 Total Assets	<u>11,115,355</u>	<u>1,388,419</u>	<u>564,113</u>	<u>13,067,887</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ 57,414	\$ --	\$ 11,095	\$ 68,509
2150 Payroll Deductions and Withholdings	4,763	--	--	4,763
2160 Accrued Wages Payable	955,508	--	71,849	1,027,357
2170 Due to Other Funds	--	--	60,152	60,152
2200 Accrued Expenditures / Expenses	86,115	--	13,130	99,245
2300 Unearned Revenue	1,012,308	263,516	--	1,275,824
2000 Total Liabilities	<u>2,116,108</u>	<u>263,516</u>	<u>156,226</u>	<u>2,535,850</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410 Inventories	11,452	--	--	11,452
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	391,592	391,592
3480 Debt Service	--	1,124,903	--	1,124,903
3490 Other Restrictions of Fund Balance	--	--	16,295	16,295
3600 Unassigned	8,987,795	--	--	8,987,795
3000 Total Fund Balances	<u>8,999,247</u>	<u>1,124,903</u>	<u>407,887</u>	<u>10,532,037</u>
4000 Total Liabilities and Fund Balances	<u>\$ 11,115,355</u>	<u>\$ 1,388,419</u>	<u>\$ 564,113</u>	<u>\$ 13,067,887</u>

The accompanying notes are an integral part of this statement.

LULING INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total fund balances - governmental funds balance sheet	\$ 10,532,037
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	40,011,668
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,275,823
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	21,758
Payables for bond principal which are not due in the current period are not reported in the funds.	(29,162,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(375,571)
The deferred loss on bond refunding is recorded in the SNP but not reported in the funds.	5,357
Compensated Absences reduce net position in the SOA but not in the funds.	(1,148,580)
Bond premiums are reported in the SNP but not in the funds.	(2,443,959)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(5,097,766)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(422,946)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,481,143
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(3,614,760)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(3,405,047)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	2,545,900
Rounding difference	<u>(1)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 10,203,056</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	50 Debt Service Fund	onmf Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 6,206,679	\$ 1,790,797	\$ 103,113	\$ 8,100,589
5800 State Program Revenues	10,467,170	198,382	321,545	10,987,097
5900 Federal Program Revenues	44	--	1,939,396	1,939,440
5020 Total Revenues	<u>16,673,893</u>	<u>1,989,179</u>	<u>2,364,054</u>	<u>21,027,126</u>
EXPENDITURES:				
Current:				
11 Instruction	8,453,436	--	856,434	9,309,870
12 Instructional Resources and Media Services	86,236	--	--	86,236
13 Curriculum and Instructional Staff Development	577,959	--	176,838	754,797
21 Instructional Leadership	216,219	--	77,140	293,359
23 School Leadership	1,175,363	--	--	1,175,363
31 Guidance, Counseling, and Evaluation Services	350,307	--	91,697	442,004
32 Social Work Services	6,021	--	123,744	129,765
33 Health Services	146,504	--	--	146,504
34 Student Transportation	560,046	--	--	560,046
35 Food Services	3,103	--	842,970	846,073
36 Extracurricular Activities	673,418	--	42,905	716,323
41 General Administration	758,144	--	1,417	759,561
51 Facilities Maintenance and Operations	1,602,139	--	29,971	1,632,110
52 Security and Monitoring Services	21,808	--	35,191	56,999
53 Data Processing Services	571,497	--	--	571,497
71 Principal on Long-term Debt	231,000	805,000	--	1,036,000
72 Interest on Long-term Debt	39,620	1,003,525	--	1,043,145
73 Bond Issuance Costs and Fees	--	1,000	--	1,000
93 Payments Related to Shared Services Arrangements	383,915	--	--	383,915
99 Other Intergovernmental Charges	170,064	--	--	170,064
6030 Total Expenditures	<u>16,026,799</u>	<u>1,809,525</u>	<u>2,278,307</u>	<u>20,114,631</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>647,094</u>	<u>179,654</u>	<u>85,747</u>	<u>912,495</u>
1200 Net Change in Fund Balances	<u>647,094</u>	<u>179,654</u>	<u>85,747</u>	<u>912,495</u>
0100 Fund Balances - Beginning	8,352,153	945,249	322,140	9,619,542
3000 Fund Balances - Ending	<u>\$ 8,999,247</u>	<u>\$ 1,124,903</u>	<u>\$ 407,887</u>	<u>\$ 10,532,037</u>

The accompanying notes are an integral part of this statement.

LULING INDEPENDENT SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	\$ 912,495
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	264,689
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,310,861)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(2,187)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,036,000
Compensated Absences accruals are not reported in the funds.	194,115
(Increase) decrease in accrued interest from beginning of period to end of period.	14,299
The net revenue (expense) of internal service funds is reported with governmental activities.	(6,991)
The deferred loss on bond refunding is recorded in the SOA but not reported in the funds.	(5,355)
Bond premiums are reported in the funds but not in the SOA.	141,017
GASB 68 requires certain expenditures to be de-expended & recorded as deferred resource outflows.	(400,110)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	401,883
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(353,534)
GASB 75 requires certain expenditures to be de-expended & recorded as deferred resource outflows.	(80,089)
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.	87,100
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	<u>287,396</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,179,867</u>

The accompanying notes are an integral part of this statement.

LULING INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND

JUNE 30, 2025

Data Control Codes		Nonmajor Internal Service Fund	Public Entity Risk Pool
	ASSETS:		
	Current Assets:		
1110	Cash and Cash Equivalents	\$ 52,445	
	Total Current Assets	<u>52,445</u>	
1000	Total Assets	<u>52,445</u>	
	LIABILITIES:		
	Current Liabilities:		
2110	Accounts Payable	\$ 2,849	
2200	Accrued Expenses	<u>27,838</u>	
	Total Current Liabilities	<u>30,687</u>	
2000	Total Liabilities	<u>30,687</u>	
	NET POSITION:		
3900	Unrestricted	<u>21,758</u>	
3000	Total Net Position	<u>\$ 21,758</u>	

The accompanying notes are an integral part of this statement.

LULING INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		Nonmajor Internal Service Fund
		Public Entity Risk Pool
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 35,811
5020	Total Revenues	<u>35,811</u>
	OPERATING EXPENSES:	
6100	<i>Payroll Costs</i>	<u>42,802</u>
6030	Total Expenses	<u>42,802</u>
1300	Change in Net Position	(6,991)
100	Total Net Position - Beginning	<u>28,749</u>
3300	Total Net Position - Ending	<u>\$ 21,758</u>

The accompanying notes are an integral part of this statement.

LULING INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

	<u>Enterprise Funds</u>
	Public Entity
	Risk Pool
Cash Flows from Operating Activities:	
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	\$ 35,811
Cash Payments for Benefits	<u>(35,163)</u>
Net Cash Provided (Used) by Operating Activities	<u>648</u>
Cash Flows from Investing Activities:	
Proceeds from Sale and Maturities of Securities	<u>--</u>
Net Cash Provided (Used) for Investing Activities	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	648
Cash and Cash Equivalents at Beginning of Year	<u>51,797</u>
Cash and Cash Equivalents at End of Year	<u>\$ 52,445</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (6,991)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	--
Provision for Uncollectible Accounts	--
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	--
Increase (Decrease) in Accounts Payable	2,818
Increase (Decrease) in Accrued Expenses	<u>4,821</u>
Total Adjustments	<u>7,639</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 648</u>

The accompanying notes are an integral part of this statement.

LULING INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2025

Data Control Codes	Custodial Fund	Student Activity
	<u>865</u>	
		<u> </u>
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$	<u>127,043</u>
1000 Total Assets		<u>127,043</u>
LIABILITIES:		
2000 Total Liabilities		<u>--</u>
NET POSITION:		
3800 <i>Restricted for Other Purposes</i>	\$	<u>127,043</u>
3000 Total Net Position	\$	<u><u>127,043</u></u>

The accompanying notes are an integral part of this statement.

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

	<u>Custodial Funds Student Activity</u>
Additions:	
Student activity income	\$ 295,028
Total Additions	<u>295,028</u>
Deductions:	
Student activities	<u>283,791</u>
Total Deductions	<u>283,791</u>
Change in Net Position	11,237
Net Position-Beginning of the Year	115,806
Net Position-End of the Year	<u>\$ 127,043</u>

LULING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This fund accounts for property tax revenue and expenditures to pay bonded principal and interest when due.

LULING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

In addition, the District reports the following fund types:

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

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Compensated Absences

Employees of the District are granted vacation, sick leave, and other types of compensated absences in accordance with District policy, labor agreements, and applicable state and local regulations. Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and certain types of sabbatical leave when agreed upon in contracts or labor agreements. Vacation and sick leave may be carried forward from year to year, subject to limits established by policy.

LULING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

A liability for compensated absences is recognized when earned by employees if (a) the leave is attributable to services already rendered, (b) the leave accumulates and may be carried forward to future periods, and (c) it is more likely than not that the leave will be used for time off or otherwise paid in cash or settled through noncash means. The liability is measured using the pay or salary rates in effect as of the financial statement date, plus salary-related payments that are directly and incrementally associated with payments for compensated absences, as required by GASB Statement No. 101.

In accordance with GASB Statement No. 101, unused sick leave that, upon retirement, is converted to provide or enhance a defined benefit pension is excluded from the compensated absences liability. The value of such converted leave is instead included in the measurement of the District's net pension liability in accordance with applicable GASB standards.

In governmental funds, only the portion of the liability expected to be liquidated with expendable available financial resources is reported as a fund liability. The full liability is reported in the government-wide financial statements.

The District measured the liability based on a historical look-back period of three years with a last in first out flows assumption for use of accrued balances.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

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

c. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

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

LULING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

d. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Vehicles	3-15
Furniture and Equipment	5-10
Computer Equipment	3-15
Right-to-use Lease Assets	5
Right-to-use Subscription Assets	5

e. Leases (GASB 87)

The District recognizes lease liabilities and corresponding right-to-use lease assets for leases with terms greater than 12 months. Lease liabilities are measured at the present value of expected lease payments. Right-to-use assets are amortized over the shorter of the lease term or useful life. Short-term (12 months or less) are expensed as incurred.

f. Subscription-Based Information Technology Arrangements (SBITAs - GASB 96)

The District recognizes intangible right-to-use subscription assets and related liabilities for subscription-based information technology arrangements (SBITAs) with terms over 12 months. Subscription assets are amortized over the term of the agreement. Short-term SBITAs are expensed as incurred.

g. Deferred Outflows and Inflows of Resources

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

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

h. Receivable and Payable Balances

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

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

LULING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

i. Interfund Activity

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

j. Use of Estimates

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

k. Data Control Codes

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

l. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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FOR THE YEAR ENDED JUNE 30, 2025

m. Net Position Flow Assumption

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

n. Fund Balance Flow Assumptions

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

5. Pensions

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

6. Other Post-Employment Benefits

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

7. Implementation of New Standards

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

GASB Statement No. 101, Compensated Absences

In the current fiscal year, the District implemented GASB Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave - should not be recognized until the leave commences. A liability for specific types of compensated absences should not be recognized until the leave is used.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

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

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and for all reporting periods thereafter. The District has elected to early adopt Statement No. 101. for the current year.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

1. Cash Deposits:

At June 30, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,112,366 and the bank balance was \$2,636,459. The District's cash deposits at June 30, 2025 and during the year ended June 30, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

2. Investments:

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

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

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

The District's investment at June 30, 2025 is shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>		<u>Fair Value</u>
Lone Star Investment Pool			
Corporate Overnight Plus Fund	52 days#	AAAf	\$ 3,172,271
Corporate Overnight Fund	42 days#	AAAm	2,336,940
Government Overnight Fund	34 days#	AAAm	778,234
Certificates of Deposit*			400,000
Total Investments			<u>\$ 6,687,445</u>

* Certificates of deposit ("CD's") and time deposits at FDIC insured banks are not subject to the fair value hierarchy levels.

The weighted average maturity date uses the industry standard definition of stated maturity for floating rate instruments, the number of days until the next reset date.

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At June 30, 2025, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

LULING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

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FOR THE YEAR ENDED JUNE 30, 2025

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 73,215	\$ --	\$ --	\$ 73,215
Total capital assets not being depreciated	<u>73,215</u>	<u>--</u>	<u>--</u>	<u>73,215</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	54,002,315	--	--	54,002,315
Furniture and equipment	2,753,060	264,689	--	3,017,749
Total capital assets being depreciated	<u>56,755,375</u>	<u>264,689</u>	<u>--</u>	<u>57,020,064</u>
Less accumulated depreciation for:				
Buildings and improvements	(13,622,086)	(1,149,884)	--	(14,771,970)
Furniture and equipment	(2,148,665)	(160,977)	--	(2,309,642)
Total accumulated depreciation	<u>(15,770,751)</u>	<u>(1,310,861)</u>	<u>--</u>	<u>(17,081,612)</u>
Total capital assets being depreciated, net	40,984,624	(1,046,172)	--	39,938,452
Governmental activities capital assets, net	<u>\$ 41,057,839</u>	<u>\$ (1,046,172)</u>	<u>\$ --</u>	<u>\$ 40,011,667</u>

Depreciation was charged to functions as follows:

Instruction	\$ 708,758
Instructional Resources and Media Services	8,837
Curriculum and Staff Development	58,204
Instructional Leadership	20,017
School Leadership	97,614
Guidance, Counseling, & Evaluation Services	33,285
Social Work Services	4,073
Health Services	15,090
Student Transportation	48,093
Food Services	275
Extracurricular Activities	59,839
General Administration	65,178
Plant Maintenance and Operations	136,881
Security and Monitoring Services	3,369
Data Processing Services	51,348
	<u>\$ 1,310,861</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

E. Interfund Balances and Activities

1. Due To and From Other Funds

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

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 60,152	Advances to other funds
	Total	\$ 60,152	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

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

Transfers From	Transfers To	Amount	Reason
None.	None.	\$ --	N/A
	Total	\$ --	

F. Long-Term Obligations

1. Long-Term Obligation Activity

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 28,215,000	\$ --	\$ 805,000	\$ 27,410,000	\$ 830,000
Maintenance tax notes	1,983,000	--	231,000	1,752,000	236,000
	30,198,000	--	1,036,000	29,162,000	1,066,000
Issuance premium	2,584,976	--	141,017	2,443,959	--
Accounting loss on refunding	(10,712)	--	(5,355)	(5,357)	--
Compensated absences *	1,342,695	811,082	1,005,197	1,148,580	297,000
Net Pension Liability *	6,203,717	--	1,105,951	5,097,766	--
Net OPEB Liability *	2,779,657	835,103	--	3,614,760	--
Total governmental activities	\$ 43,098,333	\$ 1,646,185	\$ 3,282,810	\$ 41,461,708	\$ 1,363,000

* Other long-term liabilities presented with net increase / decrease amounts

LULING INDEPENDENT SCHOOL DISTRICT

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FOR THE YEAR ENDED JUNE 30, 2025

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General
Net Pension Liability *	Governmental	General
Net OPEB Liability *	Governmental	General

Date of Issue	Description	Interest Rates	Original Issue	Maturity Date	Ending Balance
5/1/2016	Unlimited Tax Refunding, Series 2016	3.0 to 4.0%	\$ 2,865,000	8/15/2026	\$ 635,000
8/1/2019	Unlimited Tax Refunding, Series 2019	3.0 to 4.0%	6,765,000	2/15/2049	6,540,000
6/1/2020	Unlimited Tax Refunding, Series 2020	2.75 to 5.0%	22,400,000	2/15/2045	20,235,000
11/1/2019	Limited Maintenance Tax Notes, Ser. 2019	2.005%	2,848,000	3/1/2032	1,752,000
			<u>\$ 34,878,000</u>		<u>\$ 29,162,000</u>

2. Debt Service Requirements

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

General Obligation Bonds			
Year Ending June 30,	Principal	Interest	Total
2026	\$ 830,000	\$ 969,300	\$ 1,799,300
2027	1,220,000	932,150	2,152,150
2028	935,000	882,700	1,817,700
2029	985,000	837,850	1,822,850
2030	1,030,000	790,550	1,820,550
2031-2035	5,795,000	3,286,500	9,081,500
2036-2040	6,915,000	2,199,700	9,114,700
2041-2045	8,175,000	928,375	9,103,375
2046-2049	1,525,000	116,100	1,641,100
Totals	<u>\$ 27,410,000</u>	<u>\$ 10,943,225</u>	<u>\$ 38,353,225</u>

Maintenance Tax Notes			
Year Ending June 30,	Principal	Interest	Total
2026	\$ 236,000	\$ 35,127	\$ 271,127
2027	240,000	30,396	270,396
2028	245,000	25,584	270,584
2029	250,000	20,671	270,671
2030	255,000	15,659	270,659
2031-2032	526,000	15,880	541,880
Totals	<u>\$ 1,752,000</u>	<u>\$ 143,317</u>	<u>\$ 1,895,317</u>

3. Compensated Absences

The District recognizes a liability for compensated absences in accordance with GASB Statement No. 101, Compensated Absences, which replaces most of the previous guidance in GASB Statment No. 16.

Employees of the District accumulate paid leave (such as vacation, paid time off, and certain sick leave) that can either be taken as time off for services rendered or, under the District's policies, may be paid upon termination of employment. The key criteria under Statement 101 for recognizing a liability are:

- The leave is attributable to services already rendered.
- The leave accumulates (i.e., carries forward to future periods).
- It is more likely than not that the leave will be used for time off or paid in cash or another form.

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Leave that is more likely than not to be converted to a defined benefit post-employment benefit is not recognized as a compensated absence liability under GASB Statement 101.

The District measures its compensated absence liability using the pay rates in effect at the end of the fiscal year, reflecting the amount the District expects to pay when the leave is used or paid. When part of the accumulated leave is expected to be paid at a rate less than or different from the current pay rate, that expected rate is used in the measurement. The liability includes salary-related payments (such as employer share of Social Security and employer retirement contributions) that are directly and incrementally associated with the compensated leave.

Beginning / Ending Liability

	<u>2025</u>
Beginning Liability	\$ 1,342,695
Additions (unused leave earned, used but unsettled leave)	811,082
Reductions (leave taken, payments made)	<u>(1,005,197)</u>
Ending Liability	<u>\$ 1,148,580</u>

Note: Pursuant to Statement 101, the District may present either gross increases and gross decreases in the liability for compensated absences or the net change for the period. The District has chosen to present gross increases / gross decreases for fiscal year 2025.

As required, the District has applied the change retroactively, and beginning net position has been restated for the effects of the change in accounting principle. A reconciliation of the beginning net position is as follows:

As previously reported net position at June 30, 2024	\$ 10,365,884
Cumulative effect of change in accounting principle	<u>(1,342,695)</u>
As restated net position at June 30, 2024	<u>\$ 9,023,189</u>

In determining the liability for compensated absences, management applied significant judgments in estimating the portion of accumulated leave that meets the "more likely than not" criterion for use or payout, based on historical usage, termination payout history, leave accrual and carry-forward policies, and other relevant factors. The resulting estimate may change in future periods if assumptions about leave usage, termination patterns, or policies are revised.

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2025, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

<u>Bond Issue</u>	<u>Amount</u>
2016	\$ 940,000
2019	6,540,000
2020	<u>20,735,000</u>
Total	<u>\$ 28,215,000</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2025, the District purchased commercial insurance to cover general liabilities. 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.

H. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

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

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 System's actuary.

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4. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	<u>Contribution Rates</u>	
	<u>2024</u>	<u>2025</u>
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
District's 2025 Employer Contributions		\$ 472,070
District's 2025 Member Contributions		\$ 856,568
2024 NECE On-Behalf Contributions (State)		\$ 543,621

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

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

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

Employers are also required to pay surcharges in the following cases:

- All public schools, charter schools and regional educational service centers must contribute 1.8 percent of the member's salary beginning in fiscal year 2023, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the TRS, the employer shall pay an amount equal to the member contribution and the state contribution as an employment after retirement surcharge.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2022. Update procedures were used to roll forward the total pension liability to August 31, 2023.

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2024	3.87% *
Last year ending August 31 in Projection Period (100 years)	2123
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95%
Ad hoc post-employment benefit changes	None

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

The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2022. For a full description of these assumptions, please see the actuarial valuation report dated November 22, 2022.

6. Discount Rate

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

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

The long-term expected rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on 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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2024 are summarized below:

Asset Class	Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	4.4%	1.0%
Non-U.S. Developed	13.0%	4.2%	0.8%
Emerging Markets	9.0%	5.2%	0.7%
Private Equity	14.0%	6.7%	1.2%
Stable Value			
Government Bonds	16.0%	1.9%	0.4%
Stable Value Hedge Funds	5.0%	3.0%	0.2%
Absolute Return *	0.0%	4.0%	0.0%
Real Return			
Real Estate	15.0%	6.6%	1.2%
Energy, Natural Resources and Infrastructure	6.0%	5.6%	0.4%
Commodities	0.0%	2.5%	0.0%
Risk Parity	8.0%	4.0%	0.4%
Asset Allocation Leverage			
Cash	2.0%	1.0%	0.0%
Asset Allocation Leverage	(6.0%)	1.3%	(0.1)%
Inflation Expectation			2.4%
Volatility Drag ****			(0.7)%
Expected Return	<u>100.0%</u>		<u>7.9%</u>
<p>* Absolute Return includes Credit Sensitive Investments. ** Target allocations are based on the FY2023 policy model. *** Capital Market Assumptions come from Aon Hewitt (as of 06/30/2023) **** The volatility drag results from the conversion between arithmetic and geometric mean returns.</p>			

7. Discount Rate Sensitivity Analysis

The following table presents the net pension liability of the plan using a discount rate of 7.00 percent, and what the net position liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	\$ 8,142,424	\$ 5,097,766	\$ 2,575,050

LULING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

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

At June 30, 2025, the District reported a liability of \$5,097,766 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District's proportionate share of the collective net pension liability	\$ 5,097,766
State's proportionate share that is associated with District	<u>5,892,561</u>
Total	<u>\$ 10,990,327</u>

The net pension liability was measured as of June 30, 2023 and rolled forward to June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024.

At the measurement date of August 31, 2024 the employer's proportion of the collective net pension liability was 0.0083454769 percent which was an increase (decrease) of (0.0006859475) percent from its proportion measured as of August 31, 2023.

9. Changes Since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

For the year ended June 30, 2025, the District recognized pension expense of \$1,457,903 and revenue of \$704,259 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Actuarial Experience	\$ 280,982	\$ 39,801
Changes in Actuarial Assumptions	263,209	35,287
Difference Between Projected and Actual Investment Earnings	30,988	--
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	504,081	347,858
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability (to be calculated by employer)	401,883	--
Total	<u>\$ 1,481,143</u>	<u>\$ 422,946</u>

LULING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31,	Pension Expense Amount
2026	\$ 101,753
2027	\$ 649,434
2028	\$ 112,787
2029	\$ (183,934)
2030	\$ (23,726)
Thereafter	\$ --

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

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

2. OPEB Plan Fiduciary Net Position

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 https://www.trs.texas.gov/Pages/about_archive_cafr.aspx; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

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

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

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

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

LULING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

4. Contributions

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

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of Salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2023. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates	
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding remitted by Employers	1.25%

The contribution amounts for the District's fiscal year 2025 are as follows:

District's 2025 Employer Contributions	\$	102,407
District's 2025 Member Contributions	\$	66,729
2024 NECE On-Behalf Contributions (state)	\$	135,549

All employers whose employees are covered by the TRS pension plan are also required to pay a surcharge of \$535 per month when employing a retiree of TRS. The TRS-Care surcharges for fiscal year 2024 totaled \$16,318,100.

A supplemental appropriation was received in 2023 for \$21.3 million provided by Rider 14 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

LULING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

5. Actuarial Assumptions

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

<u>Demographic Assumptions</u>	<u>Economic Assumptions</u>
Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	
Rates of Disability	

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

The following methods and additional assumptions were used in the TRS-Care OPEB valuation:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the the age-adjusted claims costs.
Salary Increases	2.95% to 8.95%, including inflation
Election Rates	Normal Retirement - 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees - 30% are assumed to discontinue coverage at age 65.
Ad Hoc Post-Employment Benefit Changes	None

The initial medical trend rate was 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 years.

6. Discount Rate

A single discount rate of 3.87 percent was used to measure the Total OPEB Liability. This was a decrease of 0.26 percent in the discount rate since the previous year. Since the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate.

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

LULING INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2025

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.87%)	Current Single Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the Net OPEB Liability:	\$ 4,294,504	\$ 3,614,760	\$ 3,065,517

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

At June 30, 2025, the District reported a liability of \$3,614,760 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the Net OPEB Liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 3,614,760
State's proportionate share that is associated with the District	\$ <u>4,529,245</u>
Total	<u>\$ 8,144,005</u>

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

At August 31, 2025 the District's proportion of the collective net OPEB liability was 0.0119096463, compared to 0.0125558699 in the prior year.

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of Net OPEB Liability:	\$ 2,943,685	\$ 3,614,760	\$ 4,489,237

9. Changes Since the Prior Actuarial Valuation

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

- The discount rate was changed from 4.13 percent as of August 31, 2023 to 3.87 percent as of August 31, 2024. This change increased the Total OPEB Liability.

Changes of Benefit Terms Since the Prior Measurement Date

Since the last valuation was prepared for this plan, Texas Senate Bill 1055, which was signed by the Governor on May 10, 2023, added Stephen F. Austin University into the University of Texas System. As a result, eligible employees of Stephen F. Austin State University ceased being members under this OPEB plan effective August 31, 2023. This change is reflected in the Total OPEB Liability as of August 31, 2023. In addition, this valuation

LULING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

reflects the minor benefit changes that became effective September 1, 2023, since these changes were announced to plan members in advance of August 31, 2023. These minor benefit changes, which are not expected to have a significant impact on plan costs for fiscal year 2024, are provided for in the fiscal year 2024 Assumed Per Capita Health Benefit Costs.

The amount of OPEB expense recognized by the District in the reporting period was \$(207,307).

At June 30, 2025, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 692,828	\$ 1,803,961
Changes in actuarial assumptions	462,647	1,179,454
Difference between projected and actual investment earnings	--	10,123
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	1,303,325	411,509
Contributions paid to TRS subsequent to the measurement date	87,100	
Total	<u>\$ 2,545,900</u>	<u>\$ 3,405,047</u>

The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2026	\$ (273,299)
2027	\$ (109,582)
2028	\$ (302,613)
2029	\$ (222,701)
2030	\$ (67,853)
Thereafter	\$ 29,802

For the year ended June 30, 2025, the District recognized OPEB expense of \$(207,307). and revenue of \$(588,718) for support provided by the State.

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended June 30, 2025, the subsidy payment received by TRS-Care on behalf of the District was \$73,591.

LULING INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

J. Employee Health Care Coverage

During the current fiscal year, employees of the District were covered by a state-wide plan, TRS Active Care. The District paid premiums of \$333 per month per employee to the Plan with the State providing an additional \$75. Employees, at their option, may authorize payroll withholdings to pay premiums for dependent coverage. The Teacher Retirement System (TRS) manages TRS Active Care. The Plan is administered by Blue Cross Blue Shield while ExpressScripts was assigned the prescription drug plan.

The latest financial information on the state-wide plan is available from TRS (see note on pension plan).

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

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

Required Supplementary Information

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

LULING INDEPENDENT SCHOOL DISTRICT

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

EXHIBIT G-1
 Page 1 of 2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 6,006,450	\$ 6,145,778	\$ 6,206,679	\$ 60,901
5800	State Program Revenues	10,331,749	10,472,160	10,467,170	(4,990)
5900	Federal Program Revenues	20,000	20,000	44	(19,956)
5020	Total Revenues	16,358,199	16,637,938	16,673,893	35,955
EXPENDITURES:					
Current:					
Instruction and Instructional Related Services:					
11	Instruction	8,498,619	8,750,535	8,453,436	297,099
12	Instructional Resources and Media Services	149,098	109,098	86,236	22,862
13	Curriculum and Instructional Staff Development	708,603	718,603	577,959	140,644
	Total Instruction and Instr. Related Services	9,356,320	9,578,236	9,117,631	460,605
Instructional and School Leadership:					
21	Instructional Leadership	222,139	247,139	216,219	30,920
23	School Leadership	1,180,173	1,205,173	1,175,363	29,810
	Total Instructional and School Leadership	1,402,312	1,452,312	1,391,582	60,730
Student Support Services:					
31	Guidance, Counseling and Evaluation Services	460,950	410,950	350,307	60,643
32	Social Work Services	50,285	50,285	6,021	44,264
33	Health Services	151,304	186,304	146,504	39,800
34	Student Transportation	551,764	593,764	560,046	33,718
35	Food Services	--	3,390	3,103	287
36	Extracurricular Activities	673,146	738,791	673,418	65,373
	Total Student Support Services	1,887,449	1,983,484	1,739,399	244,085
Administrative Support Services:					
41	General Administration	789,711	804,711	758,144	46,567
	Total Administrative Support Services	789,711	804,711	758,144	46,567
Support Services:					
51	Facilities Maintenance and Operations	1,681,200	1,689,988	1,602,139	87,849
52	Security and Monitoring Services	45,600	41,600	21,808	19,792
53	Data Processing Services	673,923	633,923	571,497	62,426
	Total Support Services	2,400,723	2,365,511	2,195,444	170,067
Debt Service:					
71	Principal on Long-Term Debt	231,000	231,000	231,000	--
72	Interest on Long-Term Debt	39,760	39,760	39,620	140
73	Bond Issuance Costs and Fees	400	2,400	--	2,400
	Total Debt Service	271,160	273,160	270,620	2,540
Intergovernmental Charges:					
93	Payments Related to Shared Services Arrangement	450,000	420,000	383,915	36,085
99	Other Intergovernmental Charges	225,000	200,000	170,064	29,936
	Total Intergovernmental Charges	675,000	620,000	553,979	66,021
6030	Total Expenditures	16,782,675	17,077,414	16,026,799	1,050,615

LULING INDEPENDENT SCHOOL DISTRICT

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

EXHIBIT G-1

Page 2 of 2

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>(424,476)</u>	<u>(439,476)</u>	<u>647,094</u>	<u>1,086,570</u>
1200 Net Change in Fund Balance	<u>(424,476)</u>	<u>(439,476)</u>	<u>647,094</u>	<u>1,086,570</u>
0100 Fund Balance - Beginning	<u>8,352,153</u>	<u>8,352,153</u>	<u>8,352,153</u>	<u>--</u>
3000 Fund Balance - Ending	<u>\$ 7,927,677</u>	<u>\$ 7,912,677</u>	<u>\$ 8,999,247</u>	<u>\$ 1,086,570</u>

LULING INDEPENDENT SCHOOL DISTRICT

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

	Measurement Year *				
	2024	2023	2022	2021	2020
District's proportion of the net pension liability (asset)	0.0083454769%	0.0090314244%	0.0088413507%	0.0069948915%	0.0066173823%
District's proportionate share of the net pension liability (asset)	\$ 5,097,766	\$ 6,203,717	\$ 5,248,883	\$ 1,781,351	\$ 3,544,135
State's proportionate share of the net pension liability (asset) associated with the District	5,892,561	6,706,966	6,284,550	2,955,363	6,235,887
Total	\$ <u>10,990,327</u>	\$ <u>12,910,683</u>	\$ <u>11,533,433</u>	\$ <u>4,736,714</u>	\$ <u>9,780,022</u>
District's covered payroll	\$ 10,179,472	\$ 10,167,810	\$ 9,890,430	\$ 8,752,266	\$ 8,334,386
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	50.08%	61.01%	53.07%	20.35%	42.52%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%	88.79%	75.54%

* The amounts presented are determined as of the Plan's measurement year which was as of June 30 in each prior calendar year from the District's fiscal year end.

Measurement Year *				
2019	2018	2017	2016	2015
0.0072123802%	0.0071145147%	0.0064017803%	0.0062543332%	0.0071193000%
3,749,221 \$	3,916,002 \$	2,046,944 \$	2,363,420 \$	2,516,578
5,746,652	6,376,262	3,717,523	4,433,275	4,518,426
<u>9,495,873 \$</u>	<u>10,292,264 \$</u>	<u>5,764,467 \$</u>	<u>6,796,695 \$</u>	<u>7,035,004</u>
7,829,513 \$	7,743,125 \$	6,156,872 \$	6,951,362 \$	7,138,835
47.89%	50.57%	33.25%	34.00%	35.25%
75.24%	73.74%	82.17%	78.00%	78.43%

LULING INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS*

	Fiscal Year				
	2025	2024	2023	2022	2021
Contractually required contribution	\$ 472,070	\$ 469,201	\$ 460,221	\$ 390,499	\$ 298,348
Contributions in relation to the contractually required contribution	(472,070)	(469,201)	(460,221)	(390,499)	(298,348)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 10,382,637	\$ 10,165,291	\$ 10,163,836	\$ 9,698,595	\$ 8,676,754
Contributions as a percentage of covered payroll	4.55%	4.62%	4.53%	4.03%	3.44%

EXHIBIT G-3

		Fiscal Year							
		2020	2019	2018	2017	2016			
\$	268,118	\$	238,790	\$	200,876	\$	209,891	\$	200,697
	(268,118)		(238,790)		(200,876)		(209,891)		(200,697)
\$	<u> --</u>	\$	<u> --</u>	\$	<u> --</u>	\$	<u> --</u>	\$	<u> --</u>
\$	8,243,700	\$	7,811,193	\$	6,478,433	\$	7,322,825	\$	6,970,144
	3.25%		3.06%		3.10%		2.87%		2.88%

LULING INDEPENDENT SCHOOL DISTRICT

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

	Measurement Year **				
	2024	2023	2022	2021	2020
District's proportion of the collective net OPEB liability	0.0119096463%	0.0125558699%	0.0126359237%	0.0103825121%	0.0100984137%
District's proportionate share of the collective net OPEB liability	\$ 3,614,760	\$ 2,779,657	\$ 3,025,546	\$ 4,004,999	\$ 3,838,863
State proportionate share of the collective net OPEB liability associated with the District	\$ 4,529,245	\$ 3,354,083	\$ 3,690,691	\$ 5,365,806	\$ 5,158,512
Total	\$ 8,144,005	\$ 6,133,740	\$ 6,716,237	\$ 9,370,805	\$ 8,997,375
District's covered payroll	\$ 10,115,798	\$ 10,167,820	\$ 9,890,370	\$ 8,752,697	\$ 8,305,983
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	35.73%	27.34%	30.59%	45.76%	46.22%
Plan fiduciary net position as a percentage of the total OPEB liability	13.70%	14.94%	11.52%	6.18%	4.99%

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

** The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

						Measurement Year **					
2019		2018		2017		2016		2015			
0.0102651288%		0.0104508605%		0.0082825365%		--		--		--	
\$	4,854,503	\$	5,218,210	\$	3,601,764	--		\$	--		
<u>\$ 6,450,552</u>		<u>\$ 6,689,879</u>		<u>\$ 5,863,802</u>		--		<u>\$ --</u>			
<u>\$ 11,305,055</u>		<u>\$ 11,908,089</u>		<u>\$ 9,465,566</u>		<u>\$ --</u>		<u>\$ --</u>			
\$	7,798,569	\$	7,743,125	\$	6,156,872	--		\$	--		
62.25%		67.39%		58.50%		--		--		--	
2.66%		1.57%		0.91%		--		--		--	

LULING INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS

TEACHER RETIREMENT SYSTEM OF TEXAS

*LAST TEN FISCAL YEARS **

	Fiscal Year				
	2025	2024	2023	2022	2021
Statutorily or contractually required District contribution	\$ 102,407	\$ 94,032	\$ 107,787	\$ 177,440	\$ 111,704
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	<u>(102,407)</u>	<u>(94,032)</u>	<u>(107,787)</u>	<u>(177,440)</u>	<u>(111,704)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 10,265,916	\$ 10,112,234	\$ 10,163,803	\$ 9,698,627	\$ 8,676,288
Contributions as a percentage of covered payroll	1.00%	0.93%	1.06%	1.83%	1.29%

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

EXHIBIT G-5

		Fiscal Year							
		2020	2019	2018	2017	2016			
\$	114,416	\$	165,240	\$	57,998	\$	--	\$	--
		<u>(114,416)</u>	<u>(165,240)</u>	<u>(57,998)</u>	<u>--</u>	<u>--</u>			
\$	<u>--</u>	\$	<u>--</u>	\$	<u>--</u>	\$	<u>--</u>	\$	<u>--</u>
\$	8,210,974	\$	7,780,472	\$	7,615,228	\$	--	\$	--
		1.39%	2.12%	0.76%	--	--			

LULING INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the board.

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

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

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

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Other Post-Employment Benefit Plan

Changes of benefit terms

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

Other Supplementary Information

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

LULING INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2025*

Year Ended June 30	1 Tax Rates		2	3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 7/1/24
	Maintenance	Debt Service			
2016 and Prior Years	\$ Various	\$ Various		\$ Various	\$ 172,554
2017	1.039	.082		404,115,076	21,948
2018	1.039	.075		426,188,814	36,106
2019	1.039	.069		468,293,935	40,363
2020	.97	.147		536,457,736	73,911
2021	.9391	.3389		556,981,847	111,077
2022	.9288	.3265		581,091,054	144,987
2023	.8546	.2173		747,070,034	314,414
2024	.6692	.2015		776,452,395	503,959
2025 (School Year Under Audit)	.6669	.2142		818,489,729	--
1000 Totals					\$ <u>1,419,319</u>

8000 - Total Taxes Refunded under Section 26.1115, Tax Code

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

20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/25	99 Total Taxes Refunded Under Sect. 26.1115(c)
\$ --	\$ 3,725	\$ 314	\$ (17,806)	\$ 150,709	
--	1,674	132	(128)	20,014	
--	2,883	208	(7,124)	25,891	
--	3,296	219	(6,705)	30,143	
--	5,025	762	(6,466)	61,658	
--	8,067	2,911	(9,103)	90,996	
--	49,772	17,496	29,613	107,332	
--	139,459	35,460	45,615	185,110	
--	192,810	57,830	1,215	254,534	
7,211,713	5,059,602	1,624,852	(36,064)	491,195	
<u>\$ 7,211,713</u>	<u>\$ 5,466,313</u>	<u>\$ 1,740,184</u>	<u>\$ (6,953)</u>	<u>\$ 1,417,582</u>	
					\$ --
	\$ --				

LULING INDEPENDENT SCHOOL DISTRICT

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
AS OF JUNE 30, 2025

Data Control Codes		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 1,785,014
AP4	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28 29, 30)	\$ 1,265,664
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education allotment program?	Yes
AP7	List the total state allotment funds received for bilingual education allotment programs during the district's fiscal year.	\$ 115,987
AP8	List the actual direct program expenditures for bilingual education allotment programs during the district's fiscal year. (PICs 25)	\$ 63,852

LULING INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2025

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 69,962	\$ 66,004	\$ (3,958)
5800 <i>State Program Revenues</i>	3,200	4,256	1,056
5900 <i>Federal Program Revenues</i>	853,133	864,253	11,120
5020 <i>Total Revenues</i>	<u>926,295</u>	<u>934,513</u>	<u>8,218</u>
EXPENDITURES:			
Current:			
Student Support Services:			
35 <i>Food Services</i>	916,266	842,970	73,296
Total Student Support Services	<u>916,266</u>	<u>842,970</u>	<u>73,296</u>
6030 <i>Total Expenditures</i>	<u>916,266</u>	<u>842,970</u>	<u>73,296</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	10,029	91,543	81,514
1200 <i>Net Change in Fund Balance</i>	10,029	91,543	81,514
0100 <i>Fund Balance - Beginning</i>	300,049	300,049	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 310,078</u>	<u>\$ 391,592</u>	<u>\$ 81,514</u>

LULING INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

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

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 1,817,458	\$ 1,790,797	\$ (26,661)
5800 <i>State Program Revenues</i>	--	198,382	198,382
5020 <i>Total Revenues</i>	<u>1,817,458</u>	<u>1,989,179</u>	<u>171,721</u>
EXPENDITURES:			
Debt Service:			
71 <i>Principal on Long-Term Debt</i>	805,000	805,000	--
72 <i>Interest on Long-Term Debt</i>	1,003,525	1,003,525	--
73 <i>Bond Issuance Costs and Fees</i>	2,000	1,000	1,000
<i>Total Debt Service</i>	<u>1,810,525</u>	<u>1,809,525</u>	<u>1,000</u>
6030 <i>Total Expenditures</i>	<u>1,810,525</u>	<u>1,809,525</u>	<u>1,000</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>6,933</u>	<u>179,654</u>	<u>172,721</u>
1200 <i>Net Change in Fund Balance</i>	6,933	179,654	172,721
0100 <i>Fund Balance - Beginning</i>	945,249	945,249	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 952,182</u>	<u>\$ 1,124,903</u>	<u>\$ 172,721</u>

WEST, DAVIS & COMPANY, LLP
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Independent Auditors' Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Trustees
Luling Independent School District
Luling, Texas

Members of the Board of Trustees:

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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Luling Independent School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Luling Independent School District's basic financial statements, and have issued our report thereon dated February 18, 2026.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Luling Independent School 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 Luling Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

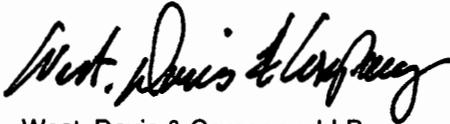
Luling Independent School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Luling Independent School 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 Luling Independent School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



West, Davis & Company, LLP
Austin, Texas
February 18, 2026

WEST, DAVIS & COMPANY, LLP
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Austin, Texas 78759
www.westdavis.com / gary @westdavis.com

Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance in Accordance with the Uniform Guidance

Board of Trustees
Luling Independent School District
Luling, Texas

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Luling Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "West, Davis & Company". The signature is written in a cursive, flowing style.

West, Davis & Company, LLP
Austin, Texas
February 18, 2026

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
One or more material weaknesses identified?	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to the financial statements noted?	No

2. Federal Awards

Internal control over major programs:	
One or more material weaknesses identified?	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Version of compliance supplement used in audit.	November 2025
Are there any audit findings disclosed that are required to be reported in accordance with Uniform Guidance Federal Regulations (2 CFR 200.516(a))?	No
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Identification of Major Programs Categories:

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.010A	ESEA Title I Part A - Improving Basic Programs
CHILD NUTRITION CLUSTER:	
10.555	Summer Food Service Program for Children
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	National School Lunch Program (Non-cash)

B. Financial Statement Findings

None.

C. Federal Award Findings and Questioned Costs

None.

LULING INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
NONE.		

LULING INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2025

NOT APPLICABLE

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

EXHIBIT K-1
 Page 1 of 2

(1)	(2)	(2A)	(3)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Agriculture:				
Summer Food Service Program for Children	10.555	71402501	\$ --	\$ 16,032
Total Passed Through State Department of Agriculture			--	16,032
Passed Through State Department of Education:				
School Breakfast Program	10.553	71402501	--	172,146
National School Lunch Program	10.555	71302501	--	626,981
National School Lunch Program (Non-cash)	10.555	028-903	--	49,094
Total Passed Through State Department of Education			--	848,221
Total U. S. Department of Agriculture			--	864,253
Total Child Nutrition Cluster			--	864,253
Total U. S. Department of Agriculture			--	864,253
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through Regional Service Center:				
Title IV, Part B-21st Century Community Learning Centers	84.287C	S287C230044	--	11,885
Title IV, Part B-21st Century Community Learning Centers	84.287C	S287C240044	--	156,861
Total Passed Through Regional Service Center			--	168,746
Total Passed Through Regional Service Center			--	168,746
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010A	24610101028903	--	121,008
ESEA Title I Part A - Improving Basic Programs	84.010A	25610101028903	--	401,203
Total ALN Number 84.010A			--	522,211
Title III, Part A-English Language Acquisition & Lang Enhancen	84.365A	24671001028903	--	16
Title III, Part A-English Language Acquisition & Lang Enhancen	84.365A	25671001028903	--	14,269
Total ALN Number 84.365A			--	14,285
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	24694501028903	--	227
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	25694501028903	--	61,642
Total ALN Number 84.367A			--	61,869

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

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients
			Federal Expenditures
Title IV, Part A, Subpart 1, Student Support	84.424A	24680101028903	--
Title IV, Part A, Subpart 1, Student Support	84.424A	25680101028903	--
Total ALN Number 84.424A			<u>70,784</u>
LEP Summer School	84.369A	69552302	--
Career and Technical Education-Basic Grant	84.048A	25420006028903	--
ESSER FUND III OF ARP	84.425U	21528001028903	--
American Rescue Plan (ARP) Act - Homeless II	84.425W	21533002028903	--
Total Passed Through State Department of Education			<u>906,397</u>
Total U. S. Department of Education			<u>1,075,143</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ --</u> <u>\$ 1,939,396</u>

The accompanying notes are an integral part of this schedule.

LULING INDEPENDENT SCHOOL DISTRICT

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

Basis of Presentation

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

Summary of Significant Accounting Policies

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

School Health and Related Services (SHARS) revenue is considered earned income at the local government level thus is not included in the Schedule of Expenditures of Federal Awards. The following is a reconciliation of Federal Revenue on Exhibit C-2 to the Schedule of Expenditures of Federal Awards.

Total expenditures of federal awards per Exhibit K-1	\$	1,939,396
General Fund - federal revenue		
School Health and Related Services (SHARS)		44
Total federal revenues per Exhibit C-2	\$	<u>1,939,440</u>

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

LULING INDEPENDENT SCHOOL DISTRICT

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

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds; or substantial doubt about the school district's ability to continue as a going concern?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code, and other statutes, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school district's administration and board members discuss any changes and/or impact to local, state, and federal funding at a board meeting within 120 days before the district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ --