

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL REPORT



For the fiscal year ended June 30, 2025
Marble Falls, Texas

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2025

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CERTIFICATE OF THE BOARD

Marble Falls Independent School District
Name of School District

Burnet
County

027-904
Co. – District 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 12th day of January 12, 2026

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).

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Marble Falls Independent School District
Marble Falls, 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 Marble Falls 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 District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in fiscal year 2025 the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
January 12, 2026

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Marble Falls Independent School District (the "District"), we offer this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2025. Please read this narrative in conjunction with the independent auditors' report and the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The net position of the District at the close of its fiscal year was \$45,320,643, a net increase of \$12,191,506 from operations over last year. Unrestricted net position of (\$7,669,515) may be used to meet the District's ongoing obligations to citizens and creditors. Net Investment in Capital Assets is \$43,620,302. The remaining \$9,369,856 is restricted for Federal and State Programs and Debt Service.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$28,577,356 a net decrease of (\$682,205) over the prior year. The General Fund increased by \$2,428,524 from current year operations. Other funds had a decrease of (\$3,110,729) from current year operations. The primary cause for the decrease in fund balances was the increase in capital expenditures in the Capital Projects Funds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,165,512 or 18% of total General Fund current year expenditures. Prior year unassigned fund balance for the General Fund was \$15,535,063, or 30% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Government-wide financial statements - These statements provide information about the activities of the District as a whole and present both a long-term and short-term view of the District's finances. The government-wide financial statements include the statement of net position and the statement of activities.

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

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

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

Fund financial statements – These statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. Some funds are required by State law and/or bond covenants. Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All the funds of the District can be divided into three categories; governmental funds, proprietary funds, and fiduciary funds.

- Governmental funds – these financial 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.
- Proprietary funds – these financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the revenues covered the expenses of the goods or services. The District has no proprietary funds.
- Fiduciary funds – these financial statements provide information about activities for which the District acts solely as a trustee or agent for the benefit of others, for example, student activity funds and scholarships for graduating students. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's operations.
- Notes to the financial statements – The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide statements and the fund financial statements.
- Other information – This annual report contains other supplementary information in addition to the basic financial statements and the notes to the financial statements. The Management's Discussion and Analysis is required supplementary information under governmental accounting standards. The "Combining Schedules" for nonmajor funds contain even more information about the District's individual funds. The "Required Texas Education Agency Schedules" and "Reports on Internal Controls, Compliance and Federal Awards" contain data used by monitoring or regulatory agencies for assurance that the District is using supplied funds in compliance with terms of grants.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the statement of net position (Table 1) and the statement of activities (Table 2) of the District's governmental activities.

TABLE 1
NET POSITION

	Governmental Activities	
	2025	2024
Assets:		
Current and other assets	\$ 50,624,704	\$ 45,795,185
Capital assets	97,065,395	100,186,849
Total assets	<u>147,690,099</u>	<u>145,982,034</u>
Deferred Outflows of Resources:		
Deferred charges for refunding	3,234,728	4,008,672
Teacher Retirement System	9,955,466	7,885,302
Total deferred outflows of resources	<u>13,190,194</u>	<u>11,893,974</u>
Liabilities:		
Long-term liabilities	85,932,174	94,412,476
Other liabilities	18,905,621	15,373,759
Total liabilities	<u>104,837,795</u>	<u>109,786,235</u>
Deferred Inflows of Resources:		
Teacher Retirement System	<u>10,721,855</u>	<u>13,158,193</u>
Net position:		
Net investment in capital assets	43,620,302	35,431,495
Restricted	9,369,856	9,479,048
Unrestricted	<u>(7,669,515)</u>	<u>(9,978,963)</u>
Total net position	<u>\$ 45,320,643</u>	<u>\$ 34,931,580</u>

The District's governmental activities net position increased by a net of \$12,191,506 from operations, as previously discussed. A large portion of net position, \$43,620,302, or 96%, reflects the District's net investment in capital assets (e.g., land, buildings, furniture and equipment, construction in progress, and accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$9,369,856 or 21%, represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted assets, (\$7,669,515), may be used to meet the District's ongoing obligations.

TABLE 2
CHANGES IN NET POSITION

	Governmental Activities	
	2025	2024
Revenues:		
Program revenues:		
Charges for services	\$ 732,489	\$ 539,398
Operating grants and contributions	10,115,205	13,065,368
General revenues:		
Maintenance and operations taxes	49,529,348	47,101,963
Debt service taxes	15,811,879	15,018,289
State aid - formula grants	4,042,848	2,647,968
Investment earnings	1,813,394	1,978,270
Miscellaneous local & intermediate revenue	8,188,583	1,402,015
Total revenues	<u>90,233,746</u>	<u>81,753,271</u>
Expenses:		
Instruction	31,934,772	32,876,455
Instructional resources and media services	514,569	557,479
Curriculum and staff development	731,901	1,111,439
Instructional leadership	2,046,115	1,952,542
School leadership	2,856,468	2,857,205
Guidance, counseling, and evaluation services	2,011,379	2,037,238
Social work services	198,372	120,839
Health services	567,696	580,341
Student transportation	2,785,559	2,658,265
Food service	3,756,130	3,769,432
Extracurricular activities	1,899,655	1,982,102
General administration	2,004,087	2,005,842
Facilities maintenance and operations	7,576,172	7,956,629
Security and monitoring services	1,417,560	568,451
Data processing services	1,455,788	1,556,444
Community services	83,730	99,920
Interest on long-term debt	2,341,522	2,710,621
Bond issuance costs	250,976	182,550
Contracted instructional services between schools	12,644,970	8,763,620
Other governmental changes	964,818	913,719
Total expenses	<u>78,042,240</u>	<u>75,261,133</u>
Increase/(Decrease) in net position before inflows/outflows and special items	<u>12,191,506</u>	<u>6,492,138</u>
NET POSITION, BEGINNING, AS PREVIOUSLY REPORTED	34,931,580	28,439,442
CHANGE IN ACCOUNTING PRINCIPLE	<u>(1,802,443)</u>	<u>-</u>
NET POSITION, BEGINNING, AS RESTATED	<u>33,129,137</u>	<u>28,439,442</u>
NET POSITION, ENDING	<u>\$ 45,320,643</u>	<u>\$ 34,931,580</u>

Governmental Revenue by Source

	Governmental Activities	
	2025	2024
Program Revenues:		
Charges for services	0.8%	0.7%
Operating grants and contributions	11.2%	16.0%
General Revenues:		
Maintenance & operating taxes	54.9%	57.6%
Debt Service taxes	17.5%	18.4%
State aid - formula grants	4.5%	3.2%
All others	<u>11.1%</u>	<u>4.1%</u>
Total Revenues	<u>100.0%</u>	<u>100.0%</u>

Governmental Expenses by Function

	Governmental Activities	
	2025	2024
Instruction	40.9%	43.7%
Instructional resources and media services	0.7%	0.7%
Curriculum and staff development	0.9%	1.5%
Instructional leadership	2.6%	2.6%
School leadership	3.7%	3.8%
Guidance, counseling, and evaluation services	2.6%	2.7%
Social work services	0.3%	0.2%
Health services	0.7%	0.8%
Student transportation	3.6%	3.5%
Food service	4.8%	5.0%
Extracurricular activities	2.4%	2.6%
General administration	2.6%	2.7%
Facilities maintenance and operations	9.7%	10.6%
Security and monitoring services	1.8%	0.8%
Data processing services	1.9%	2.1%
Community services	0.1%	0.1%
Interest on long-term debt	3.0%	3.6%
Bond issuance costs	0.3%	0.2%
Payments related to shared services arrangements	16.2%	11.6%
Other governmental changes	<u>1.2%</u>	<u>1.2%</u>
	<u>100.0%</u>	<u>100.0%</u>

The District's net position increased by a net of \$12,191,506, or 35% from current fiscal year operations as shown below.

- 1) Total net change in Fund Balances – Governmental Funds – (\$682,205)
- 2) Capital outlays and long-term debt principal – \$16,276,564
- 3) Depreciation – (\$5,647,712)
- 4) GASB 68 adjustments – (\$977,584)
- 5) Other miscellaneous adjustments – \$1,608,346
- 6) GASB 75 adjustments – \$1,614,097

The District is required under GASB 68 to report its proportionate share of the unfunded liability associated with the Teacher Retirement System of Texas (TRS) pension plan. The required entries to record the effects of GASB 68 and GASB 71, an amendment to GASB 68, are book entries only in the statement of governmental activities and do not affect the funding of the District. These entries decreased the District’s ending net position and is discussed in greater detail in the notes to the financial statements.

The District is required under GASB 75 to report its proportionate share of the unfunded liability associated with TRS-Care. The required entries to record the effects of GASB 75 are book entries only in the statement of governmental activities and do not affect the funding of the District. These entries increased the District’s ending net position and is discussed in greater detail in the notes to the financial statements.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

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

The District’s governmental funds reported a combined ending fund balance of \$28,577,356 , a net decrease of (\$682,205) over last year’s combined fund balance. Unassigned fund balance is \$10,274,072 , or 36%, and is available for spending at the District’s discretion. The remainder of fund balance is not available for discretionary spending because it is classified as nonspendable, restricted or committed for the following items:

Nonspendable fund balance:	
Inventories	\$ 237,829
Prepaid items	<u>70,583</u>
Restricted fund balance:	
Debt service	<u>\$ 9,903,107</u>
Total restricted fund balance	<u>\$ 9,903,107</u>
Committed fund balance:	
Other	<u>\$ 206,489</u>

The General Fund is the chief operating fund of the District. At the end of the current fiscal the General Fund’s unassigned fund balance was \$11,165,512 or 58% while the total fund balance was \$19,271,923. The total fund balance increased by \$2,428,524 from current year operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Trustees revised the District’s budget several times. These budget amendments fall into three categories:

1. Major amendment to Revenue Object 5700, Local and Intermediate Sources for a decrease in local property taxes.
2. Major amendment to Function 34, Transportation Services, and Function 51, Plant Maintenance & Operations, increasing the budget as a result of the supplant of federal ESSER funds.
3. Major amendment to Function 91, Contracted Instructional Services Between Schools to decrease Chapter 49 recapture costs associated with a decrease in local and intermediate revenue.

The District’s actual General Fund balance of \$19,271,923 differs from the General Fund’s budgetary fund balance of \$21,779,723. The difference of (\$2,507,800) is primarily due to budgeted revenues exceeding actual revenues by \$4,004,809 and actual expenditures being \$1,279,781 less than budgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District’s investments in capital assets for its governmental activities at the end of this fiscal year amounts to \$97,065,395 (net of accumulated depreciation) for a net decrease of \$3,121,454 or 3% from last year. The decrease is due to depreciation of new assets held in Construction-in-progress in prior years. This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

More detailed information about the District’s capital assets are presented in the notes to the financial statements.

	Capital Assets	
	2025	2024
Land	\$ 2,956,705	\$ 3,184,403
Buildings and improvements	162,261,258	160,211,498
Furniture and equipment	14,471,894	13,925,154
Right-to-use leased assets	351,257	213,457
Less: depreciation	(82,975,719)	(77,347,663)
Totals	<u>\$ 97,065,395</u>	<u>\$ 100,186,849</u>

Long-term Liabilities

At year-end, the District had \$85,932,174 in long-term debt, consisting of \$53,170,000 in outstanding general obligation bonds; premium on bonds of \$3,382,335; capital leases of \$127,486; net pension liability of \$16,024,653; net OPEB liability of \$11,181,194, and compensated absences liability of \$2,046,506 versus \$94,412,476 last year for a decrease of \$8,480,302 . More detailed information about the District’s long-term liabilities are presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

For fiscal year 2025, the district’s average daily attendance decreased by approximately 1.2%. Single family residences showed a value increase of approximately 3.3% relative to the prior year amounts. Additional state mandated homestead exemptions and limits on annual value increases reduced the overall taxable value increase of the district to approximately 5.8%.

Next Year’s Budget and Rates

The district is expecting a moderate student enrollment growth for fiscal year 2026 from the previous year, due to newly developed subdivisions and new home construction.

The Board adopted a balanced budget for fiscal year 2025-26. It also approved a maintenance and operations tax rate of \$.6702 and a debt service rate of \$.2153 for the 2025-2026 fiscal year.

The district continues to maintain a healthy fund balance for both operational and debt purposes.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and 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 information, contact the Superintendent’s Office, at Marble Falls Independent School District, 1800 Colt Circle, Marble Falls, Texas 78654.

BASIC FINANCIAL STATEMENTS

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

EXHIBIT A-1

STATEMENT OF NET POSITION

JUNE 30, 2025

Data Control Codes	ASSETS	1 Primary Government Governmental Activities
1110	Cash and cash equivalents	\$ 22,674,092
1120	Current Investments	21,636,528
1220	Delinquent property taxes receivables	3,045,716
1230	Allowance for uncollectible taxes	(335,029)
1240	Due from other governments	3,133,660
1290	Other receivables	161,325
1300	Inventories	237,829
1410	Prepayments	70,583
	Capital assets:	
1510	Land	2,956,705
1520	Buildings, net	90,510,121
1530	Furniture and equipment, net	3,456,783
1550	Right-to-use leased assets, net	141,786
1000	Total assets	<u>147,690,099</u>
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred charge for refunding	3,234,728
1705	Deferred outflow related to pensions	4,649,339
1706	Deferred outflow related to other post-employment benefit	<u>5,306,127</u>
1700	Total deferred outflows of resources	<u>13,190,194</u>
	LIABILITIES	
2110	Accounts payable	658,402
2140	Interest payable	739,740
2150	Payroll deductions and withholdings payable	847,768
2160	Accrued wages payable	3,737,907
2180	Due to other governments	12,917,064
2300	Unearned revenue	4,740
	Noncurrent liabilities:	
2501	Due within one year	
	Long-term debt	4,729,132
2502	Due in more than one year	
	Long-term debt	53,997,195
2540	Net pension liability	16,024,653
2545	Net other post-employment benefit liability	<u>11,181,194</u>
2000	Total liabilities	<u>104,837,795</u>
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred inflow related to pensions	566,686
2606	Deferred inflow related to other post-employment benefit	<u>10,155,169</u>
2600	Total deferred inflows of resources	<u>10,721,855</u>
	NET POSITION	
3200	Net investment in capital assets	43,620,302
	Restricted for:	
3850	Debt service	9,163,367
3870	Campus activities	206,489
3900	Unrestricted	<u>(7,669,515)</u>
3000	Total net position	<u>\$ 45,320,643</u>

The accompanying notes are an integral part of this financial statement.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

EXHIBIT B-1

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues 3	Program Revenues 4	Net (Expenses) Revenue Changes in Net Position 6
			Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
11	Instruction	\$ 31,934,772	\$ 208,945	\$ 3,899,193	\$ (27,826,634)
12	Instructional resources and media services	514,569	-	10,051	(504,518)
13	Curriculum and staff development	731,901	-	224,106	(507,795)
21	Instructional leadership	2,046,115	-	776,812	(1,269,303)
23	School leadership	2,856,468	-	79,253	(2,777,215)
31	Guidance, counseling, and evaluation services	2,011,379	-	363,281	(1,648,098)
32	Social work services	198,372	-	3,089	(195,283)
33	Health services	567,696	-	22,787	(544,909)
34	Student transportation	2,785,559	-	132,978	(2,652,581)
35	Food service	3,756,130	315,399	2,734,666	(706,065)
36	Extracurricular activities	1,899,655	73,106	23,268	(1,803,281)
41	General administration	2,004,087	-	30,925	(1,973,162)
51	Facilities maintenance and operations	7,576,172	135,039	100,165	(7,340,968)
52	Security and monitoring services	1,417,560	-	1,164,762	(252,798)
53	Data processing services	1,455,788	-	25,406	(1,430,382)
61	Community services	83,730	-	40,754	(42,976)
72	Interest on long-term debt	2,341,522	-	483,709	(1,857,813)
73	Bond issuance costs	250,976	-	-	(250,976)
91	Contracted instructional services between schools	12,644,970	-	-	(12,644,970)
99	Other governmental changes	964,818	-	-	(964,818)
TG	Total governmental activities	<u>\$ 78,042,240</u>	<u>\$ 732,489</u>	<u>\$ 10,115,205</u>	<u>(67,194,546)</u>
General revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				49,529,348
DT	Property taxes, levied for debt service				15,811,879
SF	State aid - formula grants				4,042,848
IE	Investment earnings				1,813,394
MI	Miscellaneous local and intermediate revenue				8,188,583
TR	Total general revenues				<u>79,386,052</u>
CN	Change in net position				<u>12,191,506</u>
NB	Net position, beginning, as previously reported				34,931,580
PA	Change in accounting principle				<u>(1,802,443)</u>
NB	Net position, beginning, as restated				<u>33,129,137</u>
NE	Net position, ending				<u>\$ 45,320,643</u>

The accompanying notes are an integral part of this financial statement.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2025

Data Control Codes		10	50	60
		General	Debt Service	Capital Projects
ASSETS				
1110	Cash and cash equivalents	\$ 17,832,002	\$ 4,510,720	\$ 61,938
1120	Investments - current	16,097,205	5,318,248	221,075
1220	Property taxes - delinquent	2,363,334	682,382	-
1230	Allowance for uncollectible taxes	(259,967)	(75,062)	-
1240	Due from other governments	1,490,816	-	-
1260	Due from other funds	2,445,590	-	-
1290	Other receivables	1,176	-	-
1300	Inventories	159,829	-	-
1410	Prepaid items	61,306	-	-
1000	Total assets	40,191,291	10,436,288	283,013
LIABILITIES				
2110	Accounts payable	322,144	-	131,239
2150	Payroll deductions and withholdings payable	780,786	-	-
2160	Accrued wages payable	3,551,088	-	-
2170	Due to other funds	-	-	955,937
2180	Due to other governments	12,917,064	-	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	17,571,082	-	1,087,176
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue:				
2601	Property taxes	1,862,809	533,181	-
2602	Other - FSP allotment	1,485,477	-	-
2600	Total deferred inflows of resources	3,348,286	533,181	-
FUND BALANCES				
Nonspendable for:				
3410	Inventories	159,829	-	-
3430	Prepaid items	61,306	-	-
Restricted for:				
3480	Debt service	-	9,903,107	-
Committed for:				
3545	Other	-	-	-
3550	Construction	7,885,276	-	-
3600	Unassigned	11,165,512	-	(804,163)
3000	Total fund balances	19,271,923	9,903,107	(804,163)
4000	Total liabilities, deferred inflows of resources and fund balances	\$ 40,191,291	\$ 10,436,288	\$ 283,013

The accompanying notes are an integral
part of this financial statement.

Other Governmental	98 Total Governmental Funds
\$ 269,432	\$ 22,674,092
-	21,636,528
-	3,045,716
-	(335,029)
1,642,844	3,133,660
-	2,445,590
160,149	161,325
78,000	237,829
9,277	70,583
<u>2,159,702</u>	<u>53,070,294</u>
205,019	658,402
66,982	847,768
186,819	3,737,907
1,489,653	2,445,590
-	12,917,064
4,740	4,740
<u>1,953,213</u>	<u>20,611,471</u>
-	2,395,990
-	<u>1,485,477</u>
-	<u>3,881,467</u>
78,000	237,829
9,277	70,583
-	9,903,107
206,489	206,489
-	7,885,276
(87,277)	10,274,072
<u>206,489</u>	<u>28,577,356</u>
\$ 2,159,702	\$ 53,070,294

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MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**EXHIBIT C-2****RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION**

JUNE 30, 2025

Total fund balances - governmental funds	\$ 28,577,356
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable and retainage payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	33,118,903
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2025 capital outlays and debt principal payments is to increase net position.	14,457,756
3 Included in the items related to debt is the recognition of the District's proportionate share of net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$4,649,339, a deferred resource inflow in the amount of \$566,686, and a net pension liability in the amount of \$16,024,653. This resulted in a decrease to net position.	(11,942,000)
4 Included in the items related to debt is the recognition of the District's proportionate share of net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$5,306,127, a deferred resource inflow in the amount of \$10,155,169, and a net OPEB liability in the amount of \$11,181,194. This resulted in a decrease to net position.	(16,030,236)
5 The 2025 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(5,647,712)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes and grants as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	<u>2,786,576</u>
29 Net position of governmental activities	<u>\$ 45,320,643</u>

MARBLE FALLS 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	50	60
		General	Debt Service	Capital Projects
REVENUES				
5700	Local and intermediate sources	\$ 51,309,963	\$ 16,136,134	\$ 67,636
5800	State programs	5,313,751	483,709	-
5900	Federal programs	278,477	-	-
5020	Total revenues	<u>56,902,191</u>	<u>16,619,843</u>	<u>67,636</u>
EXPENDITURES				
	Current:			
0011	Instruction	26,490,156	-	-
0012	Instructional resources and media services	404,560	-	-
0013	Curriculum and staff development	502,686	-	-
0021	Instructional leadership	1,289,247	-	-
0023	School leadership	2,696,096	-	-
0031	Guidance, counseling and evaluation services	1,599,843	-	-
0032	Social work	206,336	-	-
0033	Health services	540,496	-	-
0034	Student transportation	2,362,058	-	-
0035	Food service	44,414	-	-
0036	Extracurricular activities	1,809,463	-	-
0041	General administration	1,862,446	-	-
0051	Facilities maintenance and operations	6,658,478	-	-
0052	Security and monitoring services	256,009	-	-
0053	Data processing services	1,442,531	-	-
0061	Community services	-	-	-
	Debt service:			
0071	Principal on long-term debt	56,344	13,830,000	-
0072	Interest on long-term debt	7,374	2,393,875	-
0073	Bond issuance costs and fees	-	250,976	-
	Capital outlay			
0081	Facilities acquisition and construction	218,094	-	3,295,979
	Intergovernmental:			
0091	Contracted instructional services between schools	12,644,970	-	-
0099	Other intergovernmental charges	964,818	-	-
6030	Total expenditures	<u>62,056,419</u>	<u>16,474,851</u>	<u>3,295,979</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,154,228)</u>	<u>144,992</u>	<u>(3,228,343)</u>
OTHER FINANCING SOURCES (USES)				
7912	Sale of capital assets	241,048	-	-
7913	Issuance of lease	133,477	-	-
7915	Transfers in	-	-	-
8911	Transfers out	(366,249)	-	-
7949	Insurance recovery	7,574,476	-	-
7080	Total other financing sources (uses)	<u>7,582,752</u>	<u>-</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	2,428,524	144,992	(3,228,343)
0100	FUND BALANCES, BEGINNING	<u>16,843,399</u>	<u>9,758,115</u>	<u>2,424,180</u>
3000	FUND BALANCES, ENDING	<u>\$ 19,271,923</u>	<u>\$ 9,903,107</u>	<u>\$ (804,163)</u>

The accompanying notes are an integral
part of this financial statement.

Other Governmental	98 Total Governmental Funds
\$ 669,106	\$ 68,182,839
1,733,896	7,531,356
<u>6,696,074</u>	<u>6,974,551</u>
<u>9,099,076</u>	<u>82,688,746</u>
3,326,456	29,816,612
67,006	471,566
222,635	725,321
748,829	2,038,076
35,721	2,731,817
325,919	1,925,762
410	206,746
2,781	543,277
78,369	2,440,427
3,471,106	3,515,520
-	1,809,463
8,307	1,870,753
-	6,658,478
1,163,497	1,419,506
-	1,442,531
40,926	40,926
1,762	13,888,106
3,302	2,404,551
-	250,976
-	3,514,073
-	12,644,970
-	964,818
<u>9,497,026</u>	<u>91,324,275</u>
<u>(397,950)</u>	<u>(8,635,529)</u>
-	241,048
4,323	137,800
366,249	366,249
-	(366,249)
-	7,574,476
<u>370,572</u>	<u>7,953,324</u>
(27,378)	(682,205)
<u>233,867</u>	<u>29,259,561</u>
<u>\$ 206,489</u>	<u>\$ 28,577,356</u>

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MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**EXHIBIT C-4****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 \$ (682,205)

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2025 capital outlays and debt principal payments is to increase to change in net position.

16,276,564

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.

(5,647,712)

GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,195,703. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$1,223,937. Finally, the proportionate share of the TRS pension expense in the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$949,350. The net result is a decrease in the change in net position.

(977,584)

GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$272,945. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$277,574. Finally, the proportionate share of the TRS OPEB expense in the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$1,618,726. The net result is an increase in the change in net position.

1,614,097

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase the change in net position.

1,608,346

Change in net position of governmental activities

\$ 12,191,506

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**EXHIBIT E-1**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2025

	Private-Purpose Trust Funds	Custodial Fund
ASSETS		
Cash and cash equivalents	\$ 24,320	\$ 373,176
Prepays	-	12,033
Total assets	<u>24,320</u>	<u>385,209</u>
LIABILITIES		
Accounts payable	-	19,886
Total liabilities	<u>-</u>	<u>19,886</u>
NET POSITION		
Restricted for:		
Other purposes	<u>24,320</u>	<u>365,323</u>
Total net position	<u>\$ 24,320</u>	<u>\$ 365,323</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**EXHIBIT E-2****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

FOR THE YEAR ENDED JUNE 30, 2025

	<u>Private-Purpose Trust Funds</u>	<u>Custodial Fund</u>
ADDITIONS		
Contributions to student groups	\$ -	\$ 226,314
Received from student groups	-	286,224
Enterprising services revenue	-	223,177
Cocurricular services or activities	-	219,470
Total additions	<u>-</u>	<u>955,185</u>
DEDUCTIONS		
Professional and contracted services	-	53,617
Supplies and materials	-	536,116
Other deductions	-	345,608
Total deductions	<u>-</u>	<u>935,341</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	<u>-</u>	<u>19,844</u>
NET POSITION, BEGINNING	<u>24,320</u>	<u>345,479</u>
NET POSITION, ENDING	<u>\$ 24,320</u>	<u>\$ 365,323</u>

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MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

I. Summary of Significant Accounting Policies

The basic financial statements of Marble Falls 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.

A. Reporting Entity

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

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

1. Financial Statement 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.

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 resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. This is a budgeted fund.

Capital Projects Fund – The Capital Projects Fund accounts for proceeds from the sale of the Unlimited Tax School Building Bond Series 2019 related to authorized construction and other capital asset acquisition.

In addition, the District reports the following fund types:

Special Revenue Funds – These funds account for resources to, or designated for, specific purposes by the District or a grantor. Most Federal and some State financial assistance are accounted for in special revenue funds and sometimes unused balances that must be returned to the grantor at the close of specified project periods. The National Breakfast and Lunch Program fund is the only required budgeted special revenue fund. For all other funds in this type, project accounting is employed to maintain integrity for the various sources of funds.

Private-Purpose Trust Funds - These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

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 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 agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

2. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District 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 received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

C. Financial Statement Amounts

1. *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.

The 86th session of the Texas Legislature convened in January 2019, with school finance reform as a critical priority. House Bill 3 (HB 3), passed by the 86th Texas Legislature, was one of the most transformative Texas education bills in recent history infusing more than \$11 billion into the public school system. HB 3 provided more money for Texas classrooms through an increase in the basic allotment for each student from \$5,140 to \$6,160, increased teacher compensation, funds free full day Pre-K for eligible 4-year-olds, reduced the amount of money wealthy districts must spend to subsidize poor districts through the state's recapture program, and cut local property taxes for Texas taxpayers. In summary, the bill focused on four major policy areas: teacher support, improving student outcomes, increasing funding, and reduction and reform of property taxes and recapture. 34 35 HB3 amended the Education Code to transfer certain sections from Chapter 41 to Chapter 49 and revised formulas used to determine excess local revenue under the Foundation School Program (FSB). The formula for recapture is now local revenue in excess of entitlement instead of wealth per weighted average daily attendance (WADA) basis. Under HB 3, recapture and non-recapture school districts are treated more equitably, and districts only pay tier one recapture on the amount above their formula entitlement. HB 3 modifies local revenue subject to recapture to be local revenue in excess of entitlement and is calculated by subtracting a district's tier one entitlement (and credit for appraisal costs) from its available school fund (ASF) distribution and local fund assignment.

During the year ended June 30, 2025, the District's recapture liability was \$12,917,064 and this amount was incorporated into the District's budget. Under HB 3, districts now have the option of making one lump-sum payment in August after the fiscal year ends. The payment option to submit seven equal payments from February through August remains unchanged. The District opted to make one lump-sum payment in August.

2. *Inventories and Prepaid Items*

Inventories of supplies and plant maintenance on the balance sheet are valued at cost determined on a weighted average method and offset with a corresponding fund equity reserve. These inventory items are accounted for on the consumption method whereby expenditures are recorded when they are consumed. Food commodities, on the other hand, are recorded at market values supplied by the Texas Department of Human Services. 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures when consumed rather than purchased.

3. *Cash and Cash Equivalents*

Cash equivalents include demand deposits as well as short-term, highly liquid investments readily convertible to cash. Cash equivalents are reported as cash and temporary investments. Investments for the District are reported at fair value.

4. Investments

Investments are recorded at fair value. Investments are considered as and classified as cash equivalents. Investments are primarily in FDIC insured investments, savings accounts and public funds money markets and are not significantly affected by impairment of the credit standing of the issues or other factors.

5. Capital Assets

Capital assets, land, buildings, construction in progress, furniture and equipment, and right to use assets, are reported in the governmental activities' column in the government-wide financial statements. Capital assets are reported at cost or estimated historical cost. Capital assets have an individual cost of \$5,000 or more. Donated capital assets are recorded at their estimated fair market 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.

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>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15
Right to use Equipment	3-5

6. Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources are reported in the financial statements as described below:

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District had the following deferred outflows of resources:

- Deferred outflows of resources for refunding – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability, the results of differences between expected and actual experience, differences between projected and actual investment earnings, changes in actuarial assumptions, and changes in proportion and difference between the employer's contributions and the proportionate share of contributions. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year.
- Deferred outflows of resources for OPEB – Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net pension liability, the results of differences between expected and actual experience, changes in actuarial assumptions, and changes in proportion and difference between the employer's contributions and the proportionate share of contributions. The deferred outflows related to OPEB resulting to District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year.

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District had three items that qualify for reporting in this category:

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, for unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of revenues in the period that the amounts become available. During the current year, the District recorded deferred inflow of resources as unavailable revenues – property taxes with the General Fund and Debt Service Fund respectively.
- Deferred inflow of resources for pensions – Reported in the government-wide financial statement of net position, these deferred inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, and changes in proportion and difference between the employer's contributions and the proportionate share of contributions.
- Deferred inflow of resources for OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, differences between projected and actual investment earnings, and changes in proportion and difference between the employer's contributions and the proportionate share of contributions.

7. Bonds Payable

In the government-wide financial statements, long-term debt obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the term of the bonds using the effective interest method.

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

8. Interfund Receivables and Payables

Inter-fund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement.

9. Management's Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimations and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

10. Data Control Codes

The data control codes refer to the account code structure prescribed by the Texas Education Agency (the "Agency") in the Financial Accountability System Resource Guide. The Agency requires school districts to display these codes in the financial statements filed with the Agency to ensure accuracy in building a statewide database for policy development and funding plans.

11. 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 made 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 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.

12. 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.

13. 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.

14. Compensated Absences

State law entitles all employees to five days of paid personal leave per year with no limit on accumulation and no restrictions on transfer among districts. The District also provides full-time employees with five additional leave days in accordance with administrative regulations. In addition to leave time, each full-time employee earns five paid days of vacation days per school year in accordance with administrative regulations.

Any unused leave accumulates without monetary value and is not paid upon termination. The District has estimated amounts of state and local days more likely than not to be used using historical data and recorded a liability on the statement of net position.

15. Leases

The District has entered into various lease agreements as lessee. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate, if available. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Lessee. The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

16. Defined Benefit Pension Plan

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The Teacher Retirement System of Texas (TRS) administers the plan. The fiduciary net position of the TRS 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 reported to the District, deferred outflows of resources and deferred inflows of resources related to pension, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

17. 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.

18. Change in Accounting Principle

During fiscal year 2025, the District adopted the following new accounting guidance:

GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Accordingly, the cumulative effect of the accounting change has been recognized in a restatement of beginning net position for the year ended June 30, 2024.

II. DETAILED NOTES ON ALL FUNDS

A. 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 \$46,933,104 and the bank balance was \$44,708,091. 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.

2. Investments

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

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

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

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Lone Star Investment Pool	AAA	100 days	\$ 21,636,528	28
Total Investments			<u>\$ 21,636,528</u>	
Portfolio weighted average maturity				28

3. 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.

4. 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:

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.

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.

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.

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 the 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.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Corporate Overnight Plus Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. All three funds maintain a net asset value of one dollar.

B. Due To and From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation Program, the Per Capita Program, and the Existing Debt Allotment Program. Amounts due from federal and state governments as of June 30, 2025, are summarized below.

<u>Fund</u>	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Total</u>
State entitlements and grants	\$ 1,485,477	\$ 309,654	\$ 1,795,131
Federal Grants	5,339	1,333,190	1,338,529
Total	<u>\$ 1,490,816</u>	<u>\$ 1,642,844</u>	<u>\$ 3,133,660</u>

In addition to the receivables noted above, the District has been overpaid Foundation Allotment revenues in the amount of \$12,917,264, respectively. Those amounts are reported as due to other governments.

C. Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 3,184,403	\$ -	\$ (227,698)	\$ 2,956,705
Total Capital Assets Not Being Depreciated	<u>3,184,403</u>	<u>-</u>	<u>(227,698)</u>	<u>2,956,705</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	160,211,498	2,049,760	-	162,261,258
Equipment	13,925,154	566,396	(19,656)	14,471,894
Right-to-Use Lease Assets - Equipment	<u>213,457</u>	<u>137,800</u>	<u>-</u>	<u>351,257</u>
Total Capital Assets Being Depreciated	<u>174,350,109</u>	<u>2,753,956</u>	<u>(19,656)</u>	<u>177,084,409</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(67,054,254)	(4,696,883)	-	(71,751,137)
Equipment	(10,115,569)	(919,198)	19,656	(11,015,111)
Right-to-Use Lease Assets - Equipment	<u>(177,840)</u>	<u>(31,631)</u>	<u>-</u>	<u>(209,471)</u>
Total Accumulated Depreciation	<u>(77,347,663)</u>	<u>(5,647,712)</u>	<u>19,656</u>	<u>(82,975,719)</u>
Total Capital Assets Being Depreciated, Net	<u>97,002,446</u>	<u>(2,893,756)</u>	<u>-</u>	<u>94,108,690</u>
Governmental Activities Capital Assets, Net	<u>\$ 100,186,849</u>	<u>\$ (2,893,756)</u>	<u>\$ (227,698)</u>	<u>\$ 97,065,395</u>

Depreciation was charged to functions as follows:

Instruction	\$ 3,206,144
Instructional Resources and Media Services	63,978
Curriculum & Staff Development	20,685
Instructional Leadership	101,560
School Leadership	273,077
Guidance, Counseling and Evaluation Services	184,941
Health Services	57,513
Student Transportation	464,524
Food Services	291,053
Cocurricular/Extracurricular Activities	152,772
General Administration	216,346
Plant Maintenance and Operations	498,998
Security and Monitoring Services	2,476
Data Processing Services	69,590
Community Services	44,054
	<u>\$ 5,647,712</u>

D. Interfund Balances and Activities

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

<u>Due to Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 955,937	Temporary advances
General Fund	Other Governmental Funds	<u>1,489,653</u>	Temporary advances
Total		<u>\$2,445,590</u>	

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

Transfers as of June 30, 2025 consisted of the following:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	<u>\$ 366,249</u>	Food service costs
Total		<u>\$ 366,249</u>	

E. Long-Term Obligations

Long-term debt of the District is comprised of bonds payable, accreted interest, premium on bonds, and leases. Debt service requirements for general obligation bonds are payable from fund balance and future revenues of the Debt Service Fund which consists principally of property taxes collected by the District, state funding, and interest earnings. Leases are paid from fund balance and future revenues of the General Fund and National School Breakfast and Lunch Program Fund.

The following is a summary of changes in long-term debt for government activities for the year ended June 30, 2025.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Long-term debt:					
General Obligation Bonds	\$ 67,000,000	\$ -	\$ 13,830,000	\$ 53,170,000	\$ 3,880,000
Premium on Bonds	4,028,826	-	646,491	3,382,335	-
Right-to-use Leases	47,792	137,800	58,106	127,486	36,189
Total long-term debt	<u>71,076,618</u>	<u>137,800</u>	<u>14,534,597</u>	<u>56,679,821</u>	<u>3,916,189</u>
Other Liabilities:					
Compensated absences	1,802,443	244,063	-	2,046,506	812,943
Net OPEB Liability	7,534,542	3,646,652	-	11,181,194	-
Net Pension Liability	15,801,316	223,337	-	16,024,653	-
Total Other Liabilities	<u>25,138,301</u>	<u>4,114,052</u>	<u>-</u>	<u>29,252,353</u>	<u>812,943</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 96,214,919</u>	<u>\$ 4,251,852</u>	<u>\$ 14,534,597</u>	<u>\$ 85,932,174</u>	<u>\$ 4,729,132</u>
				Due Within One Year	\$ 4,729,132
				Due in More Than One Year	<u>81,203,042</u>
					<u>\$ 85,932,174</u>

The additions and retirements of compensated absence liabilities are netted in accordance with generally accepted accounting standards.

Bonds Payable. The following table displays total principal debt outstanding by issuance at year end.

Date of Issue	Description	Interest Rates	Original Issue	Final Maturity Date	Debt Principal
4/15/2016	Series 2016A	2.00 to 3.00	\$ 9,025,000	8/15/2037	\$ 3,695,000
1/15/2017	Series 2017	3.00 to 5.00	30,090,000	8/15/2037	15,370,000
1/22/2019	Series 2019	3.00 to 5.00	51,880,000	8/15/2039	34,105,000
Total					<u>\$ 53,170,000</u>

The following is a summary of the District's future annual debt service requirements to maturity for bonds payable.

	Governmental Activities		
Year Ending June 30	Principal	Interest	Total Requirements
2026	\$ 3,880,000	\$ 1,893,500	\$ 5,773,500
2027	4,070,000	1,708,775	5,778,775
2028	4,255,000	1,529,475	5,784,475
2029	4,425,000	1,355,863	5,780,863
2030	4,355,000	1,176,956	5,531,956
2031-2035	24,200,000	3,443,013	27,643,013
2036-2037	<u>7,985,000</u>	<u>343,619</u>	<u>8,328,619</u>
Total	<u>\$ 53,170,000</u>	<u>\$11,451,201</u>	<u>\$ 64,621,201</u>

On July 15, 2014, the District issued \$6,550,000 in Unlimited Tax Building Bonds with an interest rate between 2% to 4%. In addition, \$2,740,000 in Unlimited Tax Refunding Bonds were issued, along with additional funds of the district to refund \$3,000,000 of the District's 2007A Series, Unlimited Tax Building Bonds. The net proceeds of \$3,272,859 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2007A Series bonds. As a result, this portion of the 2007A Series bonds are considered under Texas State law, to be defeased in-substance and the liability for those bonds has been removed from the Statement of Net Position.

On February 18, 2015, the District issued \$8,685,000 in Unlimited Tax Refunding Bonds with an interest rate between 3.0% to 4.5%, along with additional funds of the district, to refund \$9,065,000 of the 2007A Unlimited Tax Building Bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2007A Series bonds. As a result, this portion of the 2007A Series bonds are considered under Texas State law, to be defeased in-substance and the liability for those bonds has been removed from the Statement of Net Position.

On April 15, 2016, the District issued \$9,025,000 in Unlimited Tax Refunding Bonds, Series 2016A with an interest rate between 2.0% and 3%, to refund \$9,085,000 of the 2007A Unlimited Tax School Building Bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2007A Series bonds. As a result, this portion of the 2007A Series bonds are considered under Texas State law, to be defeased in-substance and the liability for those bonds has been removed from the Statement of Net Position.

On January 15, 2017, the District issued \$30,090,000 in Unlimited Tax Refunding Bonds, Series 2017 with an interest rate between 3% and 5%, along with additional funds of the district, to refund \$23,210,000 of the 2008 Unlimited Tax School Building Bonds and \$7,985,000 of the 2009A Unlimited Tax School Building Bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded 2008 and 2009A Series bonds. As a result, this portion of the 2008 and 2009A Series bonds are considered under Texas State law, to be defeased in-substance and the liability for those bonds has been removed from the Statement of Net Position.

On February 1, 2019, the District issued \$51,880,000 in Unlimited Tax Building Bonds, Series 2019 with an interest rate between 3% and 5%. The net proceeds will be used for construction, acquisition and equipment of school buildings in the district, the purchase of new buses and the issuance cost.

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2025.

Defeasances of Debt

In fiscal year 2025, the District used available debt service fund cash to advance refund \$9,255,000 of outstanding general obligation bonds, which had interest rates of 3.25-3.50%. The District deposited \$9,500,000 in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, a portion of the Series 2019 bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

In prior years the District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Statement of Net Position.

The defeased bonds outstanding at June 30, 2025 are as follows:

<u>Bond Issue</u>	<u>Amount</u>
Series 2016A	\$ 1,905,000
Series 2017	5,920,000
Series 2019	<u>9,255,000</u>
Total	<u>\$ 17,080,000</u>

Leases

The District has entered into various lease agreements for equipment and is required to make monthly fixed payments ranging from \$1,173 to \$9,509. The interest rates are 7.16%.

Changes in the District's leases for the year ended June 30, 2025 are as follows:

Purpose and Date of Issuance	Interest Rate	Maturity Date	Amounts Outstanding 7/1/2024	(Retired) Current Year	Amounts Outstanding 6/30/2025	Interest Current Year
Dell Technology Storage Equipment 10/1/2020	7.16%	2025	\$ 8,874	\$ 8,874	\$ -	\$ 636
Mailing Machine 7/12/2021	7.16%	2027	9,670	4,108	5,562	584
Copier Machines #1 12/1/2021	7.16%	2025	29,248	29,248	-	526
Copier Machines #2 1/1/2025	7.16%	2028	-	15,876	121,924	526
Total			<u>\$ 47,792</u>	<u>\$ 58,106</u>	<u>\$ 127,486</u>	<u>\$ 2,272</u>

The following is a summary of the District's future annual debt service requirements to maturity for leases payable.

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total Requirements
2026	\$ 36,189	\$ 7,987	\$ 44,176
2027	35,299	5,373	40,672
2028	36,660	2,825	39,485
2029	19,338	405	19,743
Total	<u>\$ 127,486</u>	<u>\$ 16,590</u>	<u>\$ 144,076</u>

F. 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.

G. Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position. Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the TRS website at www.trs.state.tx.us; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description in (A) above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living adjustment (COLA).

One-Time Stipends - Stipends, regardless of annuity amount, were paid in September 2023 to annuitants who met the qualifying age requirement on or before August 31, 2023:

- A one-time \$7,500 stipend to eligible annuitants who are 75 years of age and older.
- A one-time \$2,400 stipend to eligible annuitants age 70 to 74.

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

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

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

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

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

	Contribution Rates	
	2024	2025
Member	8.25%	8.25%
Non-employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
District's Employer contributions		\$ 1,449,769
District's Member Contributions		2,910,825
2024 measurement year NECE on-behalf contributions		2,034,684

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

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 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 Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions. The total pension liability in the August 31, 2023 actuarial evaluation was rolled forward to August 31, 2024, and was determined using the following actuarial assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2024	3.87% - 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.
Inflation	2.30%
Salary increases including inflation	2.95% to 8.95%
Ad hoc post-employment benefit changes	None

The initial medical trend rates were 8.50 percent for Medicare retirees and 7.10 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 12 years.

Discount Rate. A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.50 percent of payroll in fiscal year 2025 gradually increasing to 9.56 percent in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

The long-term expected rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2024 are summarized below:

Asset Class ¹	Target Allocation ²	Long-Term Expected Geometric Real Rate of Return ³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	4.40%	1.00%
Non-U.S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Absolute Return (including Credit Sensitive Investments)	0.00%	4.00%	0.00%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy and Natural Resources, and Infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity	8.00%	4.00%	0.40%
Asset Allocation Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag ⁴			-0.70%
Expected Return	100.00%		7.90%

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the FY2024 policy model.

³ Capital Market Assumptions come from 2024 SAA Study CMA Survey (as of 12/31/2023)

⁴ The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discounted rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the 2024 Net Pension Liability.

	1% Decrease in Discount Rate 6.00%	Discount Rate 7.00%	1% Increase in Discount Rate 8.00%
District's proportionate share of the net pension liability	\$ 25,595,431	\$ 16,024,653	\$ 8,094,583

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 \$16,024,653 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 16,024,653
State's proportionate share that is associated with District	<u>22,054,871</u>
Total	<u>\$ 38,079,524</u>

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

At August 31, 2024 the employer's proportion of the collective net pension liability was 0.026232337219% which was an increase of 0.0032300312% from its proportion measured as of August 31, 2023.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation. The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

The 2023 Texas Legislature passed Senate Bill 10 (SB 10), which provided a stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLA) to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of \$1.645 billion for one-time stipends and \$3.355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

For the year ended June 30, 2025, the District recognized pension expense of \$4,809,213 and revenue of \$2,635,926 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 883,257	\$ 125,113
Changes in actuarial assumptions	827,387	110,924
Difference between projected and actual investment earnings	97,408	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	1,645,584	330,649
Contributions paid to TRS subsequent to the measurement date	<u>1,195,703</u>	<u>-</u>
Total	<u>\$ 4,649,339</u>	<u>\$ 566,686</u>

The \$1,195,703 number above reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total Pension Liability for the year ending June 30, 2026. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expense Amount</u>
2026	\$ 247,241
2027	2,034,316
2028	478,835
2029	(119,993)
2030	246,551

H. Health Care Coverage

During the period ended June 30, 2025, employees of the District were covered by a state-wide health care plan, TRS Active Care. The District's participation in this plan is renewable annually. The District paid \$445 per month per employee into the Plan. Employees, at their option, pay premiums for any coverage above these amounts as well as for dependent coverage.

The Teachers Retirement System (TRS) manages TRS Active Care. The medical plan is administered by Blue Cross and Blue Shield of Texas. The latest financial information on the statewide plan may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS website, www.trs.state.tx.us.

I. Defined Other Post Employment Benefit Plans

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

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

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Cares 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 TRS website at www.trs.state.tx.us; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS-Care provides health insurance coverage at no cost to all retirees from public schools, 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 schedule below shows the monthly rates for a retiree with and without Medicare coverage.

	TRS-Care Monthly for Retirees	
	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

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 based on active employee compensation. The TRS board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of salary. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is .75% of each active employee's pay for fiscal year 2024. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contributions Rates	
	2024	2025
Active employee	0.65%	0.65%
Non-employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions		\$ 329,937
Current fiscal year member contributions		229,338
2024 measurement year NECE on-behalf contributions		419,282

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

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

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

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. All the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Rates of Disability

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the mortality projection scale MP-2018.

Additional Actuarial Methods and Assumptions

Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.87% as of August 31, 2024
Projected Salary Increases	2.95% to 8.95%, including inflation
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs- From Birth to Death".
Expenses	Third-Party Administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs
Election Rates	Normal Retirement - 62 percent participation rate prior to age 65 and 25 percent participation rate after age 65. Pre-65 retirees - 30 percent of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None
Healthcare Trend Rates	Initial medical trend rate of 6.75% 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. Initial prescription drug trend rate of 7.25% for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 11 years.

Discount Rate. A single discount rate of 3.87% was used to measure the Total OPEB Liability. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the single discount rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2024 using the fixed-income market data/yield curve/data municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB liability if the discounted rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.87%)	Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
Proportionate share of net OPEB liability	\$ 13,283,781	\$ 11,181,194	\$ 9,482,272

Healthcare Cost Trend Rates Sensitivity Analysis. The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Single Healthcare Trend Rate	1% Increase
Proportionate share of net OPEB liability	\$ 9,105,422	\$ 11,181,194	\$ 13,886,131

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 \$11,181,194 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	\$ 11,181,194
State's proportionate share that is associated with District	14,009,884
Total	<u>\$ 25,191,078</u>

The net OPEB liability was measured as of 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 their OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 30, 2024.

At August 31, 2024 the employer's proportion of the collective Net OPEB Liability was 0.0368389764% which was an increase of 0.0028050173% from its proportion measured as of August 31, 2023.

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

- The discount rate 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.
- The tables used to model the impact of aging on the underlying claims were revised.

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$3,162,178 and revenue of \$1,821,026 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 2,143,059	\$ 5,580,022
Changes in actuarial assumptions	1,431,061	3,648,294
Difference between projected and actual investment earnings	-	31,311
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,459,062	895,542
Contributions paid to OPEB subsequent to the measurement date	272,945	-
Total	<u>\$ 5,306,127</u>	<u>\$ 10,155,169</u>

\$272,945 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability for the year ending June 30, 2026. Other amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>OPEB Expense</u>
2026	\$ (1,575,137)
2027	(1,068,727)
2028	(1,214,105)
2029	(987,980)
2030	(524,124)
Thereafter	248,086

J. Medicare Part D – On-behalf Payments

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 \$231,100.

K. Commitments and Contingencies

Grant Programs

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

L. New Accounting Standards

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the District include the following:

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No 105, *Subsequent Events* – The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement will become effective for fiscal years beginning after June 15, 2026, and the impact has not yet been determined.

M. Change in Accounting Principle

During fiscal year 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. The adoption of this standard resulted in the recognition of additional liabilities for compensated absences. The cumulative effect of the accounting change increased liabilities and decreased beginning net position by \$1,802,443.

N. Subsequent Events

On July 15, 2025, the District issued an Unlimited Tax School Building Bonds, Series 2025 for \$151,035,000. Proceeds from the sale of this bond will be used for the purpose of constructing, acquiring, rehabilitating, renovating, expanding, improving, and equipping of the school buildings along with the purchase of necessary sites for school buildings, school busses and retrofitting of busses and vehicles. The bonds have an interest rate of 5% and will mature in February 2045. The District adopted a reimbursement resolution to use a portion of the Series 2025 bond proceeds to cover fiscal year 2025 capital expenditures.

O. Budget Information

Excess of expenditures over appropriations

For the year ended June 30, 2025, expenditures exceeded appropriations in the General Fund within the following functions.

	Overages
23 - School leadership	\$ (11,747)
53 - Data processing services	(2,317)
91 - Contracted instructional services between schools	(244,970)
	<u>\$ (259,034)</u>

These overages were covered by budget savings in other functions.

Deficit fund balance

At June 30, 2025, the District reported a deficit fund balance of \$(804,163) in the capital projects fund. This deficit will be covered by bond proceeds received in the subsequent fiscal year.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget
		Original	Final		Positive
					(Negative)
REVENUES					
5700	Local and intermediate sources	\$ 58,003,000	\$ 53,903,000	\$ 51,309,963	\$ (2,593,037)
5800	State programs	5,394,000	5,894,000	5,313,751	(580,249)
5900	Federal programs	1,110,000	1,110,000	278,477	(831,523)
5020	Total revenues	64,507,000	60,907,000	56,902,191	(4,004,809)
EXPENDITURES					
Current:					
0011	Instruction	27,505,678	26,690,678	26,490,156	200,522
0012	Instructional resources and media sources	414,365	408,865	404,560	4,305
0013	Curriculum and staff development	626,152	564,152	502,686	61,466
0021	Instructional leadership	1,391,612	1,311,612	1,289,247	22,365
0023	School leadership	2,742,349	2,684,349	2,696,096	(11,747)
0031	Guidance, counseling, and evaluation services	1,751,312	1,721,312	1,599,843	121,469
0032	Social work services	164,897	211,897	206,336	5,561
0033	Health services	591,957	579,957	540,496	39,461
0034	Student transportation	2,369,443	2,520,443	2,362,058	158,385
0035	Food service	27,751	52,751	44,414	8,337
0036	Extracurricular activities	1,749,711	1,852,211	1,809,463	42,748
0041	General administration	1,811,331	1,894,331	1,862,446	31,885
0051	Facilities maintenance and operations	6,558,323	6,718,323	6,658,478	59,845
0052	Security and monitoring services	267,705	266,705	256,009	10,696
0053	Data processing services	1,445,214	1,440,214	1,442,531	(2,317)
0061	Community Service	5,000	5,000	-	5,000
Debt service:					
0071	Principal on long-term debt	381,026	381,026	56,344	324,682
0072	Interest on long-term debt	7,374	7,374	7,374	-
Capital outlay					
0081	Facilities acquisition and construction	-	650,000	218,094	431,906
Intergovernmental:					
0091	Contracted instructional services between schools	14,400,000	12,400,000	12,644,970	(244,970)
0099	Other governmental charges	925,000	975,000	964,818	10,182
6030	Total expenditures	65,136,200	63,336,200	62,056,419	1,279,781
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(629,200)	(2,429,200)	(5,154,228)	(2,725,028)
OTHER FINANCING SOURCES (USES)					
7912	Sale of capital assets	-	241,048	241,048	-
7913	Issuance of lease	-	-	133,477	133,477
8911	Transfers out	(450,000)	(450,000)	(366,249)	83,751
7949	Insurance recovery	-	7,574,476	7,574,476	-
7080	Total other financing sources (uses)	(450,000)	7,365,524	7,582,752	217,228
1200	NET CHANGE IN FUND BALANCES	(1,079,200)	4,936,324	2,428,524	(2,507,800)
0100	FUND BALANCES, BEGINNING	16,843,399	16,843,399	16,843,399	-
3000	FUND BALANCES, ENDING	\$ 15,764,199	\$ 21,779,723	\$ 19,271,923	\$ (2,507,800)

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM**

FOR THE YEAR ENDED JUNE 30, 2025

Measurement Year Ended August 31,	<u>2024</u>	<u>2023</u>	<u>2022</u>
District's proportion of the net pension liability (asset)	0.0262337%	0.0230037%	0.0231399%
District's proportionate share of the net pension liability (asset)	\$ 16,024,653	\$ 15,801,316	\$ 13,737,547
State's proportionate share of the net pension liability (asset) associated with the District	<u>22,054,871</u>	<u>26,135,800</u>	<u>22,915,117</u>
Total	<u>\$ 38,079,524</u>	<u>\$ 41,937,116</u>	<u>\$ 36,652,664</u>
District's covered payroll	\$ 36,636,041	\$ 29,987,449	\$ 31,159,687
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	43.74%	52.69%	44.09%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0233221%	0.0218097%	0.0243416%	0.0255773%	0.0242298%	0.0244840%	0.0253480%
\$ 5,939,322	\$ 11,680,815	\$ 12,653,505	\$ 14,078,342	\$ 7,747,371	\$ 9,252,132	\$ 8,960,181
<u>10,608,218</u>	<u>23,322,828</u>	<u>22,071,627</u>	<u>23,791,421</u>	<u>14,122,645</u>	<u>16,310,985</u>	<u>15,868,236</u>
<u>\$ 16,547,540</u>	<u>\$ 35,003,643</u>	<u>\$ 34,725,132</u>	<u>\$ 37,869,763</u>	<u>\$ 21,870,016</u>	<u>\$ 25,563,117</u>	<u>\$ 24,828,417</u>
\$ 30,702,900	\$ 30,466,375	\$ 29,374,781	\$ 29,143,110	\$ 27,440,348	\$ 26,409,814	\$ 25,704,660
19.34%	38.34%	43.08%	48.31%	28.23%	35.03%	34.86%
88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM**

FOR THE YEAR ENDED JUNE 30, 2025

Fiscal Year Ended June 30,	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contractually required contribution	\$ 1,449,769	\$ 1,408,178	\$ 1,020,533	\$ 995,266
Contributions in relation to the contractually required contribution	<u>(1,449,769)</u>	<u>(1,408,178)</u>	<u>(1,020,533)</u>	<u>(995,266)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$36,385,308	\$35,740,766	\$29,583,172	\$30,966,259
Contribution as a percentage of covered payroll	3.98%	3.94%	3.45%	3.21%

* During the fiscal year 2017, the District changed its fiscal year to June 30. This represents ten months of data.

2021	2020	2019	2018	2017*	2016
\$ 899,873	\$ 851,984	\$ 861,633	\$ 794,110	\$ 772,853	\$ 775,653
<u>(899,873)</u>	<u>(851,984)</u>	<u>(861,633)</u>	<u>(794,110)</u>	<u>(772,853)</u>	<u>(775,653)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$30,814,780	\$30,246,995	\$29,274,576	\$28,920,646	\$27,322,802	\$26,203,818
2.92%	2.82%	2.94%	2.75%	2.83%	2.96%

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM****FOR THE YEAR ENDED JUNE 30, 2025**

Measurement Year Ended June 30,	<u>2024</u>	<u>2023</u>	<u>2022</u>
District's Proportion of the Net OPEB Liability (Asset)	0.0368390%	0.0340340%	0.0350521%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 11,181,194	\$ 7,534,542	\$ 8,392,871
States Proportionate Share of the Net OPEB Liability (Asset) associated with the District	<u>14,009,884</u>	<u>9,091,583</u>	<u>10,237,984</u>
Total	<u>\$ 25,191,078</u>	<u>\$ 16,626,125</u>	<u>\$ 18,630,855</u>
District's Covered Payroll	\$ 36,636,041	\$ 29,987,449	\$ 31,159,687
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	30.52%	25.13%	26.94%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	13.70%	14.94%	11.52%

Note: 10 years of information is required to be presented, but information prior to 2017 is not available.

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
0.0359122%	0.0353482%	0.0356407%	0.0356258%	0.0358051%
\$ 13,852,948	\$ 13,437,446	\$ 16,854,903	\$ 17,788,281	\$ 15,570,285
<u>18,559,863</u>	<u>18,056,707</u>	<u>22,396,396</u>	<u>24,435,887</u>	<u>20,923,648</u>
<u>\$ 32,412,811</u>	<u>\$ 31,494,153</u>	<u>\$ 39,251,299</u>	<u>\$ 42,224,168</u>	<u>\$ 36,493,933</u>
\$ 30,702,900	\$ 30,466,375	\$ 29,374,781	\$ 29,143,110	\$ 27,440,348
45.12%	44.11%	57.38%	61.04%	56.74%
6.18%	4.99%	2.66%	1.57%	0.91%

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM**

FOR THE YEAR ENDED JUNE 30, 2025

Fiscal Year Ended June 30,	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contractually Required Contribution	\$ 329,937	\$ 324,689	\$ 259,372
Contribution in Relation to the Contractually Required Contribution	<u>(329,937)</u>	<u>(324,689)</u>	<u>(259,372)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 36,385,308	\$ 35,740,766	\$ 29,583,172
Contributions as a percentage of Covered Payroll	0.91%	0.91%	0.88%

Note: 10 years of information is required to be presented, but information prior to 2018 is not available.

<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 375,883	\$ 268,671	\$ 252,950	\$ 245,767	\$ 186,151
<u>(375,883)</u>	<u>(268,671)</u>	<u>(252,950)</u>	<u>(245,767)</u>	<u>(186,151)</u>
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 30,966,259	\$ 30,814,780	\$ 30,246,995	\$ 29,274,576	\$ 28,920,646
1.21%	0.87%	0.84%	0.84%	0.64%

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2025

The Board of Trustees adopts an "appropriated budget" for the General Fund, Child Nutrition Program and the Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears in Exhibit G-1 "Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund" and the other two reports are in Exhibit J-5 "Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Child Nutrition Program" and J-6 "Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund."

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

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notices of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can be amended at the function and fund level by approval of a majority of the members of the Board. Changes can be made to the budget at any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. The most significant amendments were for carryover funding; mid-year adjustments of operating costs; and year-end adjustments to expenditures based on the latest information concerning operating cost. All budget appropriations lapse at year-end.

COMBINING SCHEDULES

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2025

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1240	Due from other governments	382,508	383,239	-
1290	Other receivables	-	-	-
1300	Inventories	-	-	-
1410	Prepaid expense	5,891	-	-
1000	Total assets	<u>388,399</u>	<u>383,239</u>	<u>-</u>
LIABILITIES				
2110	Accounts payable	1,460	16,603	-
2150	Payroll deductions and withholdings	14,755	15,652	-
2160	Accrued wages payable	37,714	33,637	-
2170	Due to other funds	334,470	317,347	-
2300	Unearned revenues	-	-	-
	Total liabilities	<u>388,399</u>	<u>383,239</u>	<u>-</u>
FUND BALANCES				
	Nonspendable:			
3410	Inventories	-	-	-
3430	Prepaid items	5,891	-	-
	Committed for:			
3545	Other committed fund balance	-	-	-
3600	Unassigned	(5,891)	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 388,399</u>	<u>\$ 383,239</u>	<u>\$ -</u>

EXHIBIT H-1

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	265 Title IV, B ACE	280 ARPA- Homeless II Education for Homeless Children	289 Other Federal Special Revenue Funds
\$ 58,017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
43,665	25,279	67,041	6,526	404,973	-	18,834
-	-	-	-	-	-	-
78,000	-	-	-	-	-	-
-	850	1,524	325	288	-	399
<u>179,682</u>	<u>26,129</u>	<u>68,565</u>	<u>6,851</u>	<u>405,261</u>	<u>-</u>	<u>19,233</u>
43,523	105	1,135	-	-	-	1,000
33,016	-	1,725	1,834	-	-	-
105,269	-	10,277	(78)	-	-	-
(2,126)	26,024	55,428	5,095	405,261	-	18,233
-	-	-	-	-	-	-
<u>179,682</u>	<u>26,129</u>	<u>68,565</u>	<u>6,851</u>	<u>405,261</u>	<u>-</u>	<u>19,233</u>
78,000	-	-	-	-	-	-
-	850	1,524	325	288	-	399
-	-	-	-	-	-	-
<u>(78,000)</u>	<u>(850)</u>	<u>(1,524)</u>	<u>(325)</u>	<u>(288)</u>	<u>-</u>	<u>(399)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 179,682</u>	<u>\$ 26,129</u>	<u>\$ 68,565</u>	<u>\$ 6,851</u>	<u>\$ 405,261</u>	<u>\$ -</u>	<u>\$ 19,233</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2025

Data Control Codes		385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund
	ASSETS			
1110	Cash and cash equivalents	\$ -	\$ -	\$ 4,740
1240	Due from other governments	1,125	-	-
1290	Other receivables	-	-	-
1300	Inventories	-	-	-
1410	Prepaid expense	-	-	-
1000	Total assets	<u>1,125</u>	<u>-</u>	<u>4,740</u>
	LIABILITIES			
2110	Accounts payable	-	-	-
2150	Payroll deductions and withholdings	-	-	-
2160	Accrued wages payable	-	-	-
2170	Due to other funds	1,125	-	-
2300	Unearned revenues	-	-	4,740
	Total liabilities	<u>1,125</u>	<u>-</u>	<u>4,740</u>
	FUND BALANCES			
	Nonspendable:			
3410	Inventories	-	-	-
3430	Prepaid items	-	-	-
	Committed for:			
3545	Other committed fund balance	-	-	-
3600	Unassigned	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 1,125</u>	<u>\$ -</u>	<u>\$ 4,740</u>

EXHIBIT H-1

426 Other State Special Awards	427 Other State Special Awards	428 Other State Special Awards	429 Other State Special Awards	461 Campus Activity Funds	481 Project Lead The Way	499 Education Foundation Grant	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 197,875	\$ 8,800	\$ -	\$ 269,432
-	309,654	-	-	-	-	-	1,642,844
-	-	-	-	-	-	160,149	160,149
-	-	-	-	-	-	-	78,000
-	-	-	-	-	-	-	9,277
-	309,654	-	-	197,875	8,800	160,149	2,159,702
-	140,807	-	-	186	-	200	205,019
-	-	-	-	-	-	-	66,982
-	-	-	-	-	-	-	186,819
-	168,847	-	-	-	-	159,949	1,489,653
-	-	-	-	-	-	-	4,740
-	309,654	-	-	186	-	160,149	1,953,213
-	-	-	-	-	-	-	78,000
-	-	-	-	-	-	-	9,277
-	-	-	-	197,689	8,800	-	206,489
-	-	-	-	-	-	-	(87,277)
-	-	-	-	197,689	8,800	-	206,489
\$ -	\$ 309,654	\$ -	\$ -	\$ 197,875	\$ 8,800	\$ 160,149	\$ 2,159,702

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State programs	-	-	-
5900	Federal programs	<u>798,205</u>	<u>1,084,969</u>	<u>17,107</u>
5020	Total revenues	<u>798,205</u>	<u>1,084,969</u>	<u>17,107</u>
EXPENDITURES				
	Current:			
0011	Instruction	673,067	818,229	17,107
0012	Instruction resources and media services	1,332	-	-
0013	Curriculum and staff development	63,442	-	-
0021	Instructional leadership	1,547	-	-
0023	School leadership	398	-	-
	Guidance, counseling			
0031	and evaluation services	58,419	266,740	-
0032	Social Work Services	-	-	-
0033	Health Services	-	-	-
0034	Student transportation	-	-	-
0035	Food service	-	-	-
0041	General administration	-	-	-
0052	Security and monitoring services	-	-	-
0061	Community services	-	-	-
	Debt service:			
0071	Principal on long-term debt	-	-	-
0072	Interest on long-term debt	-	-	-
6030	Total expenditures	<u>798,205</u>	<u>1,084,969</u>	<u>17,107</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
	OTHER FINANCING SOURCES (USES)			
7913	Issuance of lease	-	-	-
7915	Transfers in	-	-	-
	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	-	-	-
0010	FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	265 Title IV, B ACE	280 ARPA- Homeless II Education for Homeless Children	289 Other Federal Special Revenue Funds
\$ 315,399	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
35,925	-	-	-	-	-	-
<u>2,670,529</u>	<u>48,710</u>	<u>193,280</u>	<u>72,011</u>	<u>1,721,230</u>	<u>36,417</u>	<u>53,616</u>
<u>3,021,853</u>	<u>48,710</u>	<u>193,280</u>	<u>72,011</u>	<u>1,721,230</u>	<u>36,417</u>	<u>53,616</u>
-	46,975	79,448	53,715	857,011	35,212	32,295
-	-	-	-	-	-	-
-	1,200	94,161	18,296	6,727	1,205	20,144
-	-	2,184	-	695,481	-	542
-	-	17,487	-	318	-	-
-	535	-	-	-	-	225
-	-	-	-	-	-	410
-	-	-	-	-	-	-
-	-	-	-	78,369	-	-
3,428,536	-	-	-	42,570	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	40,754	-	-
1,762	-	-	-	-	-	-
3,302	-	-	-	-	-	-
<u>3,433,600</u>	<u>48,710</u>	<u>193,280</u>	<u>72,011</u>	<u>1,721,230</u>	<u>36,417</u>	<u>53,616</u>
(411,747)	-	-	-	-	-	-
4,323	-	-	-	-	-	-
366,249	-	-	-	-	-	-
<u>370,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(41,175)	-	-	-	-	-	-
<u>41,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund
	REVENUES			
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State programs	1,125	204	468,574
5900	Federal programs	-	-	-
5020	Total revenues	<u>1,125</u>	<u>204</u>	<u>468,574</u>
	EXPENDITURES			
	Current:			
0011	Instruction	1,125	204	468,574
0012	Instruction resources and media services	-	-	-
0013	Curriculum and staff development	-	-	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	-
	Guidance, counseling			
0031	and evaluation services	-	-	-
0032	Social Work Services	-	-	-
0033	Health Services	-	-	-
0034	Student transportation	-	-	-
0035	Food service	-	-	-
0041	General administration	-	-	-
0052	Security and monitoring services	-	-	-
0061	Community services	-	-	-
	Debt service:			
0071	Principal on long-term debt	-	-	-
0072	Interest on long-term debt	-	-	-
6030	Total expenditures	<u>1,125</u>	<u>204</u>	<u>468,574</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
	OTHER FINANCING SOURCES (USES)			
7913	Issuance of lease	-	-	-
7915	Transfers in	-	-	-
	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	-	-	-
0010	FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT H-2

426 Other State Special Revenue Funds	427 Other State Special Revenue Funds	428 Other State Special Revenue Funds	429 Other State Special Revenue Funds	461 Campus Activity Funds	481 Project Lead The Way	499 Education Foundation Grant	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 184,770	\$ 10,000	\$ 158,937	\$ 669,106
49,075	1,163,497	13,816	1,680	-	-	-	1,733,896
-	-	-	-	-	-	-	6,696,074
<u>49,075</u>	<u>1,163,497</u>	<u>13,816</u>	<u>1,680</u>	<u>184,770</u>	<u>10,000</u>	<u>158,937</u>	<u>9,099,076</u>
-	-	-	630	83,927	-	158,937	3,326,456
-	-	-	-	65,674	-	-	67,006
-	-	13,816	1,050	1,394	1,200	-	222,635
49,075	-	-	-	-	-	-	748,829
-	-	-	-	17,518	-	-	35,721
-	-	-	-	-	-	-	325,919
-	-	-	-	-	-	-	410
-	-	-	-	2,781	-	-	2,781
-	-	-	-	-	-	-	78,369
-	-	-	-	-	-	-	3,471,106
-	-	-	-	8,307	-	-	8,307
-	1,163,497	-	-	-	-	-	1,163,497
-	-	-	-	172	-	-	40,926
-	-	-	-	-	-	-	1,762
-	-	-	-	-	-	-	3,302
<u>49,075</u>	<u>1,163,497</u>	<u>13,816</u>	<u>1,680</u>	<u>179,773</u>	<u>1,200</u>	<u>158,937</u>	<u>9,497,026</u>
-	-	-	-	4,997	8,800	-	(397,950)
-	-	-	-	-	-	-	4,323
-	-	-	-	-	-	-	366,249
-	-	-	-	-	-	-	370,572
-	-	-	-	4,997	8,800	-	(27,378)
-	-	-	-	192,692	-	-	233,867
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,689</u>	<u>\$ 8,800</u>	<u>\$ -</u>	<u>\$ 206,489</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2025

Last Ten Years Ended June 30,	1	2	3	10
	Tax Rates		Net Assessed/ Appraised Value for School Tax Purpose	Beginning Balance 07/01/24
	Maintenance	Debt Service		
2016 and prior years	various	various	various	\$ 233,994
2017	1.053300	0.226700	3,271,825,078	38,721
2018	1.053300	0.225300	3,518,724,855	50,272
2019	1.053300	0.215300	3,905,224,499	85,417
2020	0.983300	0.215300	4,228,305,273	115,757
2021	0.969700	0.215300	4,461,000,084	148,015
2022	0.899500	0.215300	5,030,505,472	180,636
2023	0.857900	0.215300	6,436,694,745	405,225
2024	0.672500	0.215300	6,994,740,707	1,697,192
2025 (School year under audit)	0.696900	0.215300	7,331,581,780	<u>-</u>
1000 Totals				<u>\$ 2,955,229</u>

8000 - Taxes refunded

EXHIBIT J-1

20	31	32	40	50	99
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 06/30/25	Total Taxes Refunded under Section 26.1115 (c)
\$ -	\$ 36,876	\$ 5,813	\$ 2,330	\$ 193,635	
	3,459	744	(1,256)	33,262	
-	4,159	889	(894)	44,330	
-	6,979	1,422	(1,995)	75,021	
-	17,630	2,572	7,874	103,429	
-	64,259	4,158	48,961	128,559	
-	64,302	12,514	34,846	138,666	
-	201,452	35,666	138,253	306,360	
-	848,460	254,480	(178,034)	416,218	
<u>66,878,689</u>	<u>47,939,425</u>	<u>15,395,729</u>	<u>(1,937,299)</u>	<u>1,606,236</u>	
<u>\$ 66,878,689</u>	<u>\$ 49,187,001</u>	<u>\$ 15,713,987</u>	<u>\$ (1,887,214)</u>	<u>\$ 3,045,716</u>	

\$ 16,590

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**REQUIRED TEXAS EDUCATION
AGENCY SCHEDULES**

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2025

Section A: Compensatory Education Programs

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 3,864,551
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30)	\$ 3,235,752

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	\$ 640,122
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25)	\$ 575,259

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM

FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget
		Original	Final		Positive (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 456,000	\$ 456,000	\$ 315,399	\$ (140,601)
5800	State programs	60,000	60,000	35,925	(24,075)
5900	Federal programs	3,312,000	3,312,000	2,670,529	(641,471)
5020	Total revenues	3,828,000	3,828,000	3,021,853	(806,147)
EXPENDITURES					
0035	Food service	4,268,500	4,268,500	3,428,536	839,964
	Debt service:				
0071	Principal on long-term debt	9,500	9,500	1,762	7,738
0072	Interest on long-term debt	-	-	3,302	(3,302)
6030	Total expenditures	4,278,000	4,278,000	3,433,600	844,400
OTHER FINANCING SOURCES (USES)					
7913	Issuance of lease	-	-	4,323	4,323
7915	Transfers in	450,000	450,000	366,249	(83,751)
	Total other financing sources (uses)	450,000	450,000	370,572	(79,428)
1200	NET CHANGE IN FUND BALANCES	-	-	(41,175)	(41,175)
0100	FUND BALANCES, BEGINNING	41,175	41,175	41,175	-
3000	FUND BALANCES, ENDING	\$ 41,175	\$ 41,175	\$ -	\$ (41,175)

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-6

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL - DEBT SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget
		Original	Final		Positive
					(Negative)
REVENUES					
5700	Local and intermediate sources	\$ 16,031,000	\$ 16,031,000	\$ 16,136,134	\$ 105,134
5800	State programs	450,000	450,000	483,709	33,709
5020	Total revenues	16,481,000	16,481,000	16,619,843	138,843
EXPENDITURES					
	Debt service:				
0071	Principal on long-term debt	14,075,000	14,075,000	13,830,000	245,000
0072	Interest on long-term debt	2,393,875	2,393,875	2,393,875	-
0073	Bond issuance costs and fees	12,125	12,125	250,976	(238,851)
6030	Total expenditures	16,481,000	16,481,000	16,474,851	6,149
1200	NET CHANGE IN FUND BALANCES	-	-	144,992	144,992
0100	FUND BALANCES, BEGINNING	9,758,115	9,758,115	9,758,115	-
3000	FUND BALANCES, ENDING	\$ 9,758,115	\$ 9,758,115	\$ 9,903,107	\$ 144,992

COMPLIANCE SECTION

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

Board of Trustees
Marble Falls Independent School District
Marble Falls, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marble Falls Independent School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Marble Falls Independent School District's basic financial statements, and have issued our report thereon dated January 12, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marble Falls 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 Marble Falls Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Marble Falls Independent School District's internal control.

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

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marble Falls 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Marble Falls 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 the Marble Falls Independent School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
January 12, 2026

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Trustees
Marble Falls Independent School District
Marble Falls, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
January 12, 2026

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(1) Federal Assistance Listing Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through the Texas Education Agency:</u>			
National School Breakfast Program	10.553	71402401	\$ 117,441
National School Breakfast Program	10.553	71402501	508,142
National School Lunch Program	10.555	71302401	352,697
National School Lunch Program	10.555	71302501	1,460,782
Total Passed Through Texas Education Agency			<u>2,439,062</u>
<u>Passed Through the Texas Department of Agriculture:</u>			
Commodities Delivery	10.555	2400141	2,492
NSLP - Commodities - Noncash assistance	10.555	N/A	228,975
Total Passed Through Texas Department of Agriculture			<u>231,467</u>
Total Child Nutrition Cluster			<u>2,670,529</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>2,670,529</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through the Texas Education Agency:</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	25610101027904	839,528
Total Assistance Listing Number 84.010A			<u>839,528</u>
IDEA - Part B, Formula	84.027A	256600010279046600	1,141,084
IDEA - Part B, Preschool	84.173A	246610010279046610	17,107
Total Special Education Cluster			<u>1,158,191</u>
Career and Technical - Basic Grant	84.048A	25420006027904	48,710
Total Assistance Listing Number 84.048A			<u>48,710</u>
21st Century Community Learning Centers	84.287C	246950337110044	1,414,244
21st Century Community Learning Centers	84.287C	256950337110044	397,953
Total Assistance Listing Number 84.287C			<u>1,812,197</u>
Title III Part A Immigrant	84.365A	24671003027904	11,333
Title III Part A English Language Acquisition & Lang. Enhancement	84.365A	25671001027904	64,179
Total Assistance Listing Number 84.365A			<u>75,512</u>
ESEA Title II Part A - Teacher & principal Training & Recruiting	84.367A	24694501027904	55,544
ESEA Title II Part A - Teacher & principal Training & Recruiting	84.367A	25694501027904	147,485
Total Assistance Listing Number 84.367A			<u>203,029</u>
Summer School LEP	84.369A	69552402	5,454
Total Assistance Listing Number 84.369A			<u>5,454</u>
Title IV, Part A, Subpart 1	84.424	24680101027904	25,663
Title IV, Part A, Subpart 1	84.424	25680101027904	24,986
Total Assistance Listing Number 84.424			<u>50,649</u>
COVID-19 ARP Homeless II - Education for Homeless Children and Youth Program	84.425W	21533002027904	43,421
Total Assistance Listing Number 84.425			<u>43,421</u>
Total Passed Through Texas Education Agency			<u>4,236,691</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>4,236,691</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Passed Through Texas Health and Human Services Commission:</u>			
Medicaid Administrative Claiming Program - MAC	93.778	5929-070-0157-00093	11,016
Total Medicaid Cluster			<u>11,016</u>
Total Passed Through Texas Health and Human Services Commission			<u>11,016</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>11,016</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,918,236</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2025

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designed for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounting for using a current financial resources measurement focus. All federal grant funds were accounted for in special revenue funds, which are governmental fund types. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurement and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgements, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant revenues are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such amounts are received, they are recorded as unearned revenues until earned. The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting.

3. The District participates in numerous state and federal 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 adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable may be impaired.
4. The District has not elected to use the de minimis indirect cost rate as allowed in the Uniform Guidance.
5. None of the federal programs expended by the District were passed through to subrecipients.
6. The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards and expenditures reported in the financial statements as follows:

Federal revenues per the Statement of Revenues, Expenditures and	
Changes in Fund Balance - Governmental Funds (Exhibit C-3)	\$ 6,974,551
Less:	
School health and related services revenue	(32,588)
E-rate	<u>(23,727)</u>
Federal expenditures per the Schedule of Expenditures of Federal	
Awards (Exhibit K-1)	<u>\$ 6,918,236</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2025

Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
--	------

Identification of major federal programs:

Assistance Listing Number(s):	Name of Federal Program or Cluster:
10.553, 10.555	Child Nutrition Cluster
84.027A, 84.173A	Special Education Cluster

Dollar threshold used to distinguish between type A and type B federal programs	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

Findings and Questioned Costs for Federal Awards

None

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2025

None.

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