

**CALLEN
INDEPENDENT
SCHOOL DISTRICT**

Annual Financial Report

For the Year Ended August 31, 2025



GOWLAND, MORALES & SMITH, PLLC

Certified Public Accountants

CALLEN INDEPENDENT SCHOOL DISTRICT

DIRECTORY OF OFFICIALS

AUGUST 31, 2025

BOARD OF TRUSTEES

Heather Luckenbach	President
Michael Hatch	Vice President
Lori Jo Walker	Secretary
Royce Cameron	Treasurer
Jerry Batek	Member
Chelsea Schulze	Member
Edward Wells	Member

OTHER OFFICIALS

Emily Lorenz	Superintendent
Kelsey Ramos	Assistant Superintendent of Finance & Operations

Calallen Independent School District
Annual Financial Report
For The Year Ended August 31, 2025

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
Certificate of Board.....	1	
FINANCIAL SECTION		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	13	A-1
Statement of Activities.....	14	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	15	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	17	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	18	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....		
Statement of Net Position - Internal Service Funds.....	20	C-3
Statement of Revenues, Expenses, and Changes in Fund Net Position - Internal Service Funds.....	21	D-1
Statement of Cash Flows - Proprietary Funds.....	22	D-2
Statement of Fiduciary Net Position - Fiduciary Funds.....	23	D-3
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	24	E-1
Notes to the Financial Statements	25	E-2
Notes to the Financial Statements	26	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	50	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System Of Texas.....	52	G-2
Schedule of District's Contributions - Teacher Retirement System Of Texas.....	53	G-3
Schedule of the District's Proportionate Share of the		
Net OPEB Liability - OPEB Plan.....	54	G-4
Schedule of District's Contributions - OPEB Plan.....	55	G-5
Notes to Required Supplementary Information.....	56	
<u>Combining Statements as Supplementary Information:</u>		
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	57	H-1

Calallen Independent School District
Annual Financial Report
For The Year Ended August 31, 2025

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	61	H-2
Internal Service Funds:		
Combining Statement of Net Position.....	65	H-3
Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	66	H-4
Combining Statement of Cash Flows.....	67	H-5
Fiduciary Funds:		
Agency Funds:		
Combining Statement of Fiduciary Assets and Liabilities.....	68	H-6
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	69	J-1
Use of Funds Report - Select State Allotment Program	71	J-2
Budgetary Comparison Schedules Required by the Texas Education Agency.....		
National School Breakfast and Lunch Program.....	72	J-3
Debt Service Fund.....	73	J-4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	74	
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	76	
Schedule of Findings and Questioned Costs	79	
Summary Schedule of Prior Audit Findings.....	81	
Corrective Action Plan.....	82	
Schedule of Expenditures of Federal Awards	83	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	85	
Schedule of Required Responses to Selected School First Indicators.....	86	K-2

Introductory Section

CERTIFICATE OF BOARD

Calallen Independent School District
Name of School District

Nueces
County

178-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2025, at a meeting of the board of trustees of such school district on the 15th day of December, 2025


Signature of Board Secretary


Signature of Board President

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

Financial Section



GOWLAND, MORALES & SMITH, PLLC

Certified Public Accountants

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Corpus Christi, TX 78401
Telephone: (361) 993-1000
Fax: (361) 991-2880

Independent Auditor's Report

To the Board of Trustees
Calallen Independent School District
4205 Wildcat Drive
Corpus Christi, Texas 78410

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Supplementary Information

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

Other Information Included in the Annual Report

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2025 on our consideration of Calallen Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Calallen Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Gowland, Morales, & Smith, PLLC

Gowland, Morales & Smith, PLLC

Corpus Christi, Texas
October 30, 2025

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Calallen Independent School District’s annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year ended August 31, 2025. Please read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District’s total combined net position was \$29,396,087 at August 31, 2025.
- As of the close of the current fiscal year, the District’s general fund reported combined ending fund balance of \$17,483,285. Approximately 76 percent of this total, \$13,256,624, is available for spending at the government’s discretion (unassigned). The remaining \$4,000,000 is assigned for potential disasters and resulting insurance deductibles.
- The total cost of the District’s programs decreased \$1,440,353 from last year due primarily to the expiration of pandemic related federal funding, reduction of positions through attrition due to declining enrollment, and completion of bond safety & security projects in previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *The internal service funds* to report activities that provide supplies and other services for the District’s other programs and activities, such as the District’s self-insurance programs.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1F, Required Components of the District’s Annual Financial Report

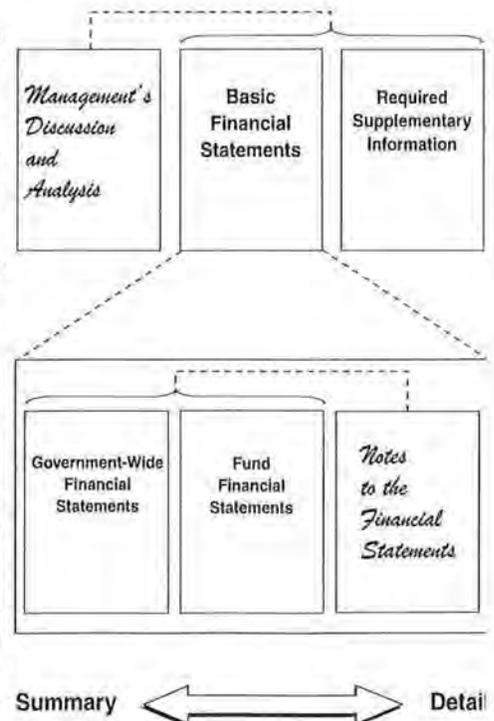


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has three kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

Figure A-2 Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures & changes in fund balances	• Statement of net position • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

- *Internal Service Funds* - The District uses internal service funds to report activities that provide supplies and other services for the District's other programs and activities. These include worker compensation insurance coverage costs and copier costs.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position

The District's combined net position was approximately \$29,396,087 at August 31, 2025. (See Table A-1).

The total district liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the TRS-Care plan is funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors.

Table A-1
The District's Net Assets

	Governmental Activities		Total Change
	2025	2024	
Assets:			
Current and Other Assets	\$ 71,660,532	\$ 91,999,680	\$ (20,339,148)
Capital and Non-Current	121,896,771	103,408,031	18,488,740
Total Assets	<u>193,557,303</u>	<u>195,407,711</u>	<u>(1,850,408)</u>
Deferred Outflows Of Resources	<u>8,134,037</u>	<u>9,736,991</u>	<u>(1,602,954)</u>
Current Liabilities	5,643,166	6,827,715	(1,184,549)
Noncurrent Liabilities	132,033,421	132,028,207	5,214
Net Pension Liability	12,752,678	15,630,374	(2,877,696)
Net OPEB Liability	9,851,784	7,816,491	2,035,293
Total Liabilities	<u>160,281,049</u>	<u>162,302,787</u>	<u>(2,021,738)</u>
Deferred Inflows Related to Pensions and OPEB	<u>12,014,204</u>	<u>13,992,270</u>	<u>(1,978,066)</u>
Net Position			
Net Assets Invested in Capital			
Assets net of related debt	49,597,322	34,271,380	15,325,942
Restricted	6,337,323	2,581,294	3,756,029
Unrestricted	(26,538,558)	(8,003,029)	(18,535,529)
Total Net Position	<u>\$ 29,396,087</u>	<u>\$ 28,849,645</u>	<u>\$ 546,442</u>

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Revenue/Expense Analysis

The District's total revenues were \$60,443,924. A significant portion, 47.44%, of the District's revenue comes from taxes.

The total cost of all programs and services was \$57,365,037; 58% of these costs are for direct student services, which include: instruction; instructional resources; guidance and counseling; social services; health services and co-curricular activities.

Governmental Activities

For the year ending August 31, 2025, the Board of Trustees adopted a Maintenance & Operating tax rate of \$.7695 and an Interest & Sinking tax rate of \$0.2708 cents.

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Table A-2
Changes in the District's Net Assets

	Governmental Activities		Total Change
	2025	2024	
Program Revenues:			
Charges for Services	1,319,586	\$ 545,236	\$ 774,350
Operating Grants and Contributions	8,679,275	6,646,914	2,032,361
General Revenues			
Property Taxes	27,966,746	21,724,333	6,242,413
Chapter 313 Payments	707,879	1,539,340	(831,461)
State Aid – Formula	16,796,347	22,385,050	(5,588,703)
Investment Earnings	4,620,734	3,719,365	901,369
Other Grants & Contributions	1,363	2,209,618	(2,208,255)
Miscellaneous	351,994	950,706	(598,712)
Total Revenues	<u>60,443,924</u>	<u>59,720,562</u>	<u>723,362</u>
Instruction	26,701,916	28,887,144	(2,185,228)
Instructional Resources and Media Services	512,871	602,934	(90,063)
Curriculum Dev. And Instructional Staff Dev.	1,138,351	1,073,083	65,268
Instructional Leadership	604,039	504,006	100,033
School Leadership	2,514,533	2,545,162	(30,629)
Guidance, Counseling and Evaluation Services	2,154,780	2,270,899	(116,119)
Social Work Services	77,798	100,317	(22,519)
Health Services	694,233	731,881	(37,648)
Student (Pupil) Transportation	1,579,291	1,638,545	(59,254)
Food Services	2,581,331	2,857,012	(275,681)
Curricular/Extracurricular Activities	2,206,949	2,217,043	(10,094)
General Administration	1,623,026	1,579,904	43,122
Plant Maintenance & Oper.	6,425,656	7,128,079	(702,423)
Security & Monitoring Svcs.	815,385	829,231	(13,846)
Data Processing Services	1,112,661	679,768	432,893
Community Services	1,545	-	1,545
Debt Service	6,133,796	4,849,520	1,284,276
Capital Outlay	99,581	8,870	90,711
Payments to Alternative Ed. Prog.	53,592	29,117	24,475
Other Intergovernmental Charges	333,703	272,875	60,828
Total Expenses	<u>57,365,037</u>	<u>58,805,390</u>	<u>(1,440,353)</u>
Changes in Net Position	3,078,887	915,172	2,163,715
Prior Period Adjustment	(2,532,430)		(2,532,430)
Net Position Beginning	28,849,630	27,934,473	915,157
Ending Net Assets	<u>\$ 29,396,087</u>	<u>\$ 28,849,645</u>	<u>\$ 546,442</u>

- The cost of all *governmental* activities this year was \$57,365,037.
- However, the amount that our taxpayers paid for these activities through property taxes was \$27,966,746.
- Some of the cost was paid by those who directly benefited from the programs; \$1,319,586 or
- By operating grants and contributions \$8,679,275.

Implementation of GASB 101 was effective at the beginning of the 2025 fiscal year. Fiscal year 2025 beginning net position has been restated for reporting purposes (prior period adjustment in Table A-2 above).

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

Table A-3
Net Cost of Selected District Functions
(in actual dollars)

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2025	2024		2025	2024	
Instruction	\$ 26,701,916	\$ 28,887,144	-8.18%	23,082,855	\$ 24,765,899	-7.29%
School Leadership	2,514,533	2,545,162	-1.22%	2,327,141	2,316,443	0.46%
Plant Maintenance & Operations	6,425,656	7,128,079	-10.93%	6,030,903	6,765,316	-12.18%
Debt Service	6,133,796	4,849,520	20.94%	5,352,144	4,067,711	24.00%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$61,753,825, an increase of 2.30% from the preceding year of \$60,345,558. The increase in revenue was due primarily to a voter-approved bond programs and the resulting increase in debt service tax rate and property tax collections, and interest earnings in the bond program construction funds.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. General Fund revenue sources were above the final budget by \$1,132,495, attributed to strong property tax collections, increased indirect costs from federal grants, and previous year Foundation School Program settle-up. Actual expenditures were \$2,672,420 below final budget amounts in the General Fund. During the 2024-25 fiscal year, the District saw savings for several reasons: monitored use of substitutes, unfilled instructional positions, electricity procurement resulting in lowered rates, and conservative budgeting practices.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the District had invested a net \$121,877,655 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions, construction in progress, depreciation and adjustments) of \$18,469,628.

	Governmental Activities		Change
	2025	2024	
Land	\$ 1,237,075	\$ 1,237,075	\$ -
Construction in Progress	26,933,196	8,174,595	18,758,601
Buildings and improvements	141,839,177	138,305,104	3,534,073
Vehicles	4,067,515	4,001,624	65,891
Furniture and Equipment	4,037,843	5,857,591	(1,819,748)
Intangibles	626,553	626,553	-
Totals at historical cost	<u>178,741,359</u>	<u>158,202,542</u>	<u>20,538,817</u>
Total accumulated depreciation	<u>56,863,704</u>	<u>54,794,515</u>	<u>2,069,189</u>
Net capital assets	<u>\$ 121,877,655</u>	<u>\$ 103,408,027</u>	<u>\$ 18,469,628</u>

More detailed information about the District's capital assets is presented in Note 1 to the financial statements.

Long Term Debt

At year-end the District had \$116,120,000 bonds outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

	Governmental Activities	
	2025	2024
Premium	\$ 8,529,761	\$ 9,068,237
Bonds payable	116,120,000	119,065,000
Notes Payable	3,370,000	3,895,000
Arbitrage Payable	1,041,722	0
Compensated Absences	2,971,938	2,532,439
Pension Payable	12,752,678	15,630,374
OPEB Liability	9,851,784	7,816,491
Total Long Term Debt	<u>\$ 154,637,883</u>	<u>\$ 158,007,541</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

District Administration and the Board of Trustees met numerous times and worked to prepare a conservative budget for the 2025-26 fiscal year that balanced the district's financial well-being and the ongoing impacts of flat funding relative to inflation and declining enrollment with the continuing need to invest in student achievement, staff recruitment and retention, and the campus & department needs. Ultimately, the Board of Trustees adopted a \$800,000 deficit budget for 2025-26, prior to utilizing fund balance accumulated in prior years, which provides an average of 12.5% teacher raises in compliance with 89th Legislative Session House Bill 2 and 2.5% raises for other district employees, offset by a reduction in positions through attrition and 2.5% campus and department budget cuts.

The Board of Trustees adopted a 2025-26 tax rate of \$1.0403 per \$100 of assessed value. The total tax rate includes a maintenance and operations (M&O) tax rate of \$0.7695 and an interest and sinking (I&S) tax rate of \$0.2708. The adopted tax rate of \$1.0403 remains unchanged year-over-year. House Bill 3 (HB3) of the 86th Texas Legislative Session reduces the maintenance and operations tax rate to the lower of the state compressed rate or the local compressed rate when property values grow more than 2.5 percent. Numerous bills for the 88th Legislative Session impacted property taxes, including House Bill 1 (HB1) which lowered the school district M&O tax rate ceiling to \$0.7905, Senate Bill 2 (SB2) which further reduced the school district M&O tax rate ceiling by \$0.1070 to \$0.6880, and Senate Bill 2 (SB2) which increased the homestead exemption from \$40,000 to \$100,000. During the 89th Texas Legislative Session Senate Bill 1 (SB1) lowered the school district M&O tax rate ceiling to \$0.6322 and provided additional compression of \$0.0331. Senate Bill 4 (SB4) increased the homestead exemption from \$100,000 to \$140,000. Under these property tax bills, the reduction in property tax revenues due to the compression of the M&O tax rate and increase in Homestead Exemption is offset by an increase in state funding.

For the 2025-26 fiscal year, the school-district was notified by the Texas Education Agency (TEA) that the district's Tier One local share under the TEC, §48.256, will exceed the district's entitlement under the TEC, §48.266(a)(1), less the district's distribution from the state available school fund, and/or the district's Tier Two local share described by the TEC, §48.266(a)(5)(B), will exceed the amount described by the TEC, §48.202(a-1)(2), for school year 2025-26, also known as a property wealthy Chapter 49 school-district or recapture. TEA estimates an excess revenue amount of \$68,500. The district selected to purchase average daily attendance credit to reduce the local revenue level.

Calallen ISD voters approved a \$55.182 million bond package on May 6, 2023 which encompasses 43 individual projects that impact every student and campus across the district, including safety & security, academic improvements, athletics upgrades, fine arts enhancements, and priority maintenance. Construction is underway or completed for 33, or 79 percent, of the intended bond projects. The remaining projects are currently on track to be completed over the coming two school years based on the project priorities established by the Bond Advisory Committee and Board of Trustees. Additionally, Calallen ISD voters approved a \$12.573 million bond package for stadium improvements on May 4, 2024. The successful bond package included one proposition, Proposition A, for stadium improvements at the Phil Danaher Stadium, Steve Chapman Stadium, and the Ladycat Softball Stadium. Construction is complete at Steve Chapman Stadium and Ladycat Softball Stadium, the Phil Danaher Stadium projects will commence in January 2026 and be completed over Summer 2026.

The District has experienced a slow recovery from the coronavirus pandemic impacts to enrollment and attendance and continues to encounter the impacts of lack of legislative investment in school funding. Administration and the Board of Trustees are working to adopt conservative budgets and preserve long-range fund balance projections. Administration applies conservative budgeting principles when projecting annual enrollment and property valuations, ensuring that budgets remain aligned with projected revenues and that resources are allocated effectively to support the district's long-term goals and student achievement outcomes. Despite these challenges, the state of the District is strong and dedicated to the mission of unyielding commitment to excellence, as demonstrated by the service and support of the Board of Trustees, highly qualified staff members, students who take pride in their education, and community members who promote high standards and show tremendous support for the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This 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 demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Assistant Superintendent for Finance & Operations.

Basic Financial Statements

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

Data Control Codes	1	Governmental Activities
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 67,870,596
1225	Property Taxes Receivable (Net)	617,367
1240	Due from Other Governments	2,783,361
1290	Other Receivables (Net)	107,584
1300	Inventories	181,602
1410	Unrealized Expenses	119,138
	Capital Assets:	
1510	Land	1,237,075
1520	Buildings and Improvements, Net	89,954,528
1530	Furniture and Equipment, Net	3,752,856
1580	Construction in Progress	26,933,196
1000	Total Assets	193,557,303
	DEFERRED OUTFLOWS OF RESOURCES:	
	Deferred Outflow of Resources - Undesignated	481,957
	Deferred Outflow Related to Pensions	3,307,522
	Deferred Outflow Related to OPEB	4,344,558
1700	Total Deferred Outflows of Resources	8,134,037
	LIABILITIES:	
2110	Accounts Payable	3,014,190
2140	Interest Payable	218,829
2165	Accrued Liabilities	2,245,165
2180	Due to Other Governments	99,581
2300	Unearned Revenue	65,401
	Noncurrent Liabilities:	
2501	Due Within One Year	4,304,056
2502	Due in More Than One Year	125,139,761
2540	Net Pension Liability	12,752,678
2545	Net OPEB Liability	9,851,784
2590	Other Long-Term Liabilities	2,589,604
2000	Total Liabilities	160,281,049
	DEFERRED INFLOWS OF RESOURCES:	
	Deferred Inflow Related to Pensions	1,227,760
	Deferred Inflow Related to OPEB	10,786,444
2600	Total Deferred Inflows of Resources	12,014,204
	NET POSITION:	
3200	Net Investment in Capital Assets	49,597,322
	Restricted For:	
3820	State and Federal Programs	1,173,645
3850	Debt Service	5,163,678
3900	Unrestricted	(26,538,558)
3000	Total Net Position	\$ 29,396,087

The accompanying notes are an integral part of this statement.

CALALLEN INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	
	Governmental Activities:				
11	Instruction	\$ 26,701,916	\$ 350,720	\$ 3,268,341	\$ (23,082,855)
12	Instructional Resources and Media Services	512,871	--	32,013	(480,858)
13	Curriculum and Staff Development	1,138,351	--	840,942	(297,409)
21	Instructional Leadership	604,039	--	127,075	(476,964)
23	School Leadership	2,514,533	--	187,392	(2,327,141)
31	Guidance, Counseling, and Evaluation Services	2,154,780	--	392,665	(1,762,115)
32	Social Work Services	77,798	--	4,997	(72,801)
33	Health Services	694,233	--	47,979	(646,254)
34	Student Transportation	1,579,291	--	88,768	(1,490,523)
35	Food Service	2,581,331	725,379	1,860,346	4,394
36	Cocurricular/Extracurricular Activities	2,206,949	243,487	141,970	(1,821,492)
41	General Administration	1,623,026	--	104,346	(1,518,680)
51	Facilities Maintenance and Operations	6,425,656	--	395,046	(6,030,610)
52	Security and Monitoring Services	815,385	--	324,557	(490,828)
53	Data Processing Services	1,112,661	--	69,662	(1,042,999)
61	Community Services	1,545	--	1,530	(15)
72	Interest on Long-term Debt	5,085,624	--	781,652	(4,303,972)
73	Bond Issuance Costs and Fees	1,048,172	--	--	(1,048,172)
91	Contracted Instructional Services between Schools	99,581	--	6,467	(93,114)
95	Payments to Juvenile Justice Alternative Ed. Programs	53,592	--	3,527	(50,065)
99	Other Intergovernmental Charges	333,703	--	--	(333,703)
TG	Total Governmental Activities	<u>57,365,037</u>	<u>1,319,586</u>	<u>8,679,275</u>	<u>(47,366,176)</u>
TP	Total Primary Government	<u>\$ 57,365,037</u>	<u>\$ 1,319,586</u>	<u>\$ 8,679,275</u>	<u>(47,366,176)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				20,317,003
DT	Property Taxes, Levied for Debt Service				7,649,743
	Chapter 313				707,879
IE	Investment Earnings				4,620,734
SF	State Aid-Formula Grants				16,796,347
GC	Grants and Contributions Not Restricted to Specific Programs				1,363
MI	Miscellaneous				349,364
FR	Transfers				2,630
TR	Total General Revenues and Transfers				<u>50,445,063</u>
CN	Change in Net Position				<u>3,078,887</u>
NB	Net Position - Beginning				28,849,630
PA	Prior Period Adjustment				(2,532,430)
	Net Position - Beginning, as Restated				26,317,200
NE	Net Position - Ending				<u>\$ 29,396,087</u>

The accompanying notes are an integral part of this statement.

CALALLEN INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS:		
1110	\$ 17,364,842	\$ 1,770,486
1225	466,488	150,879
1240	1,950,056	--
1260	35,000	--
1290	107,584	--
1300	107,523	--
1410	119,138	--
1000	<u>20,150,631</u>	<u>1,921,365</u>
LIABILITIES:		
Current Liabilities:		
2110	\$ 135,742	\$ --
2160	1,918,197	--
2170	45,733	--
2180	99,581	--
2300	1,605	594
2000	<u>2,200,858</u>	<u>594</u>
DEFERRED INFLOWS OF RESOURCES:		
	466,488	150,880
2600	<u>466,488</u>	<u>150,880</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3410	107,523	--
3430	119,138	--
Restricted Fund Balances:		
3450	--	--
3480	--	1,769,891
3490	--	--
Assigned Fund Balances:		
3590	4,000,000	--
3600	13,256,624	--
3000	<u>17,483,285</u>	<u>1,769,891</u>
4000	<u>\$ 20,150,631</u>	<u>\$ 1,921,365</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects 2023 Bond	60 Capital Projects 2024 Bond	onmi Other Governmental Funds	98 Total Governmental Funds
\$ 38,383,997	\$ 8,825,670	\$ 827,683	\$ 67,172,678
--	--	--	617,367
--	--	833,305	2,783,361
--	--	--	35,000
--	--	--	107,584
--	--	74,079	181,602
--	--	--	119,138
<u>38,383,997</u>	<u>8,825,670</u>	<u>1,735,067</u>	<u>71,016,730</u>
\$ 2,549,431	\$ 221,995	\$ 107,022	\$ 3,014,190
--	--	75,913	1,994,110
--	--	--	45,733
--	--	--	99,581
--	--	63,202	65,401
<u>2,549,431</u>	<u>221,995</u>	<u>246,137</u>	<u>5,219,015</u>
--	--	--	617,368
--	--	--	617,368
--	--	74,079	181,602
--	--	--	119,138
--	--	1,099,827	1,099,827
--	--	--	1,769,891
35,834,566	8,603,675	--	44,438,241
--	--	315,024	4,315,024
--	--	--	13,256,624
<u>35,834,566</u>	<u>8,603,675</u>	<u>1,488,930</u>	<u>65,180,347</u>
\$ 38,383,997	\$ 8,825,670	\$ 1,735,067	\$ 71,016,730

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

Total fund balances - governmental funds balance sheet	\$ 65,180,347
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	121,877,655
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	617,367
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	457,596
Payables for bond principal which are not due in the current period are not reported in the funds.	(116,120,000)
Payables for debt interest which are not due in the current period are not reported in the funds.	(218,829)
Payables for notes which are not due in the current period are not reported in the funds.	(3,370,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(2,971,938)
Payables for contracts which are not due in the current period are not reported in the funds.	(8,529,761)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(1,041,722)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	481,957
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(12,752,678)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,227,760)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	3,307,522
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(9,851,784)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(10,786,444)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	4,344,558
Rounding difference	1
Net position of governmental activities - Statement of Net Position	<u>\$ 29,396,087</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	50 Debt Service Fund
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 22,311,433	\$ 7,818,884
5800 <i>State Program Revenues</i>	20,752,908	781,652
5900 <i>Federal Program Revenues</i>	459,625	--
5020 Total Revenues	<u>43,523,966</u>	<u>8,600,536</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	23,753,299	--
0012 <i>Instructional Resources and Media Services</i>	481,692	--
0013 <i>Curriculum and Staff Development</i>	850,533	--
0021 <i>Instructional Leadership</i>	500,623	--
0023 <i>School Leadership</i>	2,483,958	--
0031 <i>Guidance, Counseling, and Evaluation Services</i>	1,856,213	--
0032 <i>Social Work Services</i>	77,417	--
0033 <i>Health Services</i>	684,438	--
0034 <i>Student Transportation</i>	1,351,908	--
0035 <i>Food Service</i>	19,199	--
0036 <i>Cocurricular/Extracurricular Activities</i>	2,157,570	--
0041 <i>General Administration</i>	1,580,557	--
0051 <i>Facilities Maintenance and Operations</i>	6,128,232	--
0052 <i>Security and Monitoring Services</i>	722,774	--
0053 <i>Data Processing Services</i>	1,054,881	--
0061 <i>Community Services</i>	--	--
0071 <i>Principal on Long-term Debt</i>	525,000	2,945,000
0072 <i>Interest on Long-term Debt</i>	63,695	5,470,716
0073 <i>Bond Issuance Costs and Fees</i>	825	5,625
0081 <i>Capital Outlay</i>	--	--
0091 <i>Contracted Instructional Services</i>		
0091 <i>Between Public Schools</i>	99,581	--
0095 <i>Payments to Juvenile Justice Alternative</i>		
0095 <i>Education Programs</i>	53,592	--
0099 <i>Other Intergovernmental Charges</i>	333,703	--
6030 Total Expenditures	<u>44,779,690</u>	<u>8,421,341</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>(1,255,724)</u>	<u>179,195</u>
Other Financing Sources and (Uses):		
7915 <i>Transfers In</i>	--	--
8911 <i>Transfers Out</i>	(10,733)	--
7080 Total Other Financing Sources and (Uses)	<u>(10,733)</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>(1,266,457)</u>	<u>179,195</u>
0100 Fund Balances - Beginning	<u>18,749,742</u>	<u>1,590,696</u>
3000 Fund Balances - Ending	<u>\$ 17,483,285</u>	<u>\$ 1,769,891</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 Capital Projects 2023 Bond	60 Capital Projects 2024 Bond	onmf Other Governmental Funds	98 Total Governmental Funds
\$ 3,013,602	\$ 473,853	\$ 1,166,416	\$ 34,784,188
--	--	1,001,905	22,536,465
--	--	3,953,547	4,413,172
<u>3,013,602</u>	<u>473,853</u>	<u>6,121,868</u>	<u>61,733,825</u>
--	--	1,965,142	25,718,441
--	--	23,355	505,047
--	--	256,986	1,107,519
--	--	99,295	599,918
--	--	23,043	2,507,001
--	--	284,953	2,141,166
--	--	--	77,417
--	--	3,173	687,611
--	--	--	1,351,908
--	--	2,572,401	2,591,600
--	--	685	2,158,255
--	--	128	1,580,685
1,237,162	--	98,331	7,463,725
--	--	69,414	792,188
--	--	--	1,054,881
--	--	1,532	1,532
--	--	--	3,470,000
--	--	--	5,534,411
--	--	--	6,450
16,046,582	4,071,371	639,025	20,756,978
--	--	--	99,581
--	--	--	53,592
--	--	--	333,703
<u>17,283,744</u>	<u>4,071,371</u>	<u>6,037,463</u>	<u>80,593,609</u>
<u>(14,270,142)</u>	<u>(3,597,518)</u>	<u>84,405</u>	<u>(18,859,784)</u>
--	--	2,630	2,630
--	--	--	(10,733)
--	--	2,630	(8,103)
<u>(14,270,142)</u>	<u>(3,597,518)</u>	<u>87,035</u>	<u>(18,867,887)</u>
50,104,708	12,201,193	1,401,895	84,048,234
<u>\$ 35,834,566</u>	<u>\$ 8,603,675</u>	<u>\$ 1,488,930</u>	<u>\$ 65,180,347</u>

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

Net change in fund balances - total governmental funds	\$ (18,867,887)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	22,368,577
The depreciation of capital assets used in governmental activities is not reported in the funds.	(4,121,503)
The gain or loss on the sale of capital assets is not reported in the funds.	(26,117)
Donations of capital assets increase net position in the SOA but not in the funds.	248,670
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(38,232)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	(1,041,722)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,945,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	525,000
(Increase) decrease in accrued interest from beginning of period to end of period.	14,069
The net revenue (expense) of internal service funds is reported with governmental activities.	(243,428)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(439,499)
Bond premiums are reported in the funds but not in the SOA.	538,446
Bond discounts are reported in the funds but not in the SOA.	(103,728)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(460,418)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	1,781,659
Rounding difference	1
Change in net position of governmental activities - Statement of Activities	<u>\$ 3,078,887</u>

The accompanying notes are an integral part of this statement.

CALALLEN INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 AUGUST 31, 2025

Data Control Codes		Internal Service Funds
	ASSETS:	
	Current Assets:	
1110	Cash and Cash Equivalents	\$ 697,918
	Receivables:	
1260	Due from Other Funds	10,733
	Total Current Assets	<u>708,651</u>
1000	Total Assets	<u>708,651</u>
	LIABILITIES:	
	Current Liabilities:	
2200	Accrued Expenses	\$ 251,055
	Total Current Liabilities	<u>251,055</u>
2000	Total Liabilities	<u>251,055</u>
	NET POSITION:	
3900	Unrestricted	457,596
3000	Total Net Position	<u>\$ 457,596</u>

CALALLEN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		Internal Service Funds
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 251,402
5020	Total Revenues	<u>251,402</u>
	OPERATING EXPENSES:	
6200	<i>Professional and Contracted Services</i>	157,135
6400	<i>Other Operating Costs</i>	<u>384,069</u>
6030	Total Expenses	<u>541,204</u>
	Operating Income (Loss)	<u>(289,802)</u>
	NON-OPERATING REVENUES (EXPENSES):	
7955	<i>Earnings from Temp. Deposits and Investments</i>	35,641
8030	Total Non-operating Revenues (Expenses)	<u>35,641</u>
	Income (Loss) before Contributions and Transfers	(254,161)
7915	<i>Transfers In</i>	10,733
1300	Change in Net Position	<u>(243,428)</u>
0100	Total Net Position - Beginning	701,024
3300	Total Net Position - Ending	<u>\$ 457,596</u>

The accompanying notes are an integral part of this statement.

CALALLEN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

	Internal Service Funds
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ --
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	241,079
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(464,521)
Net Cash Provided (Used) by Operating Activities	<u>(223,442)</u>
Cash Flows from Non-capital Financing Activities:	
<i>Transfers From (To) Primary Government</i>	10,733
<i>Transfers From (To) Other Funds</i>	-
Net Cash Provided (Used) by Non-capital Financing Activities	<u>10,733</u>
Cash Flows from Capital and Related Financing Activities:	
<i>Contributed Capital</i>	-
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>-</u>
Cash Flows from Investing Activities:	
<i>Interest and Dividends on Investments</i>	35,641
Net Cash Provided (Used) for Investing Activities	<u>35,641</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(177,068)
Cash and Cash Equivalents at Beginning of Year	874,986
Cash and Cash Equivalents at End of Year	<u>\$ 697,918</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (289,802)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
<i>Depreciation</i>	-
<i>Provision for Uncollectible Accounts</i>	-
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	410
<i>Increase (Decrease) in Interfund Payables</i>	(10,733)
<i>Increase (Decrease) in Accrued Expenses</i>	76,683
<i>Increase (Decrease) in Unearned Revenue</i>	-
Total Adjustments	<u>66,360</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (223,442)</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes		Custodial Funds
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 683,462
1000	Total Assets	<u>683,462</u>
	LIABILITIES:	
2000	Total Liabilities	<u>—</u>
	NET POSITION:	
3800	<i>Restricted for Other Purposes</i>	\$ 683,462
3000	Total Net Position	<u>\$ 683,462</u>

The accompanying notes are an integral part of this statement.

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

	<u>Custodial Funds</u>
ADDITIONS:	
Investment Income	\$ --
Contributions from Foundations, Gifts and Bequests	--
Student Group Fundraising Activities	578,859
Total Additions	<u>578,859</u>
DEDUCTIONS:	
Student Activities	515,235
Refunds of Contributions	--
Administrative Expenses	--
Total Deductions	<u>515,235</u>
Change in Fiduciary Net Position	63,624
Transfers In	101,126
Transfers Out	(103,756)
Net Position-Beginning of the Year	622,468
Prior Period Adjustment	--
Net Position-End of the Year	<u>\$ 683,462</u>

The accompanying notes are an integral part of this statement.

CALALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This fund is used to account for the District's debt service property tax revenue and related debt service expenditures for bonded debt.

CALALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

Capital Projects 2023 Bond Fund: This fund is used to account for construction activities.

Capital Projects 2024 Bond Fund: This fund is used to account for construction activities.

In addition, the District reports the following fund types:

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

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

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

b. **Measurement Focus, Basis of Accounting**

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

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

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

3. **Financial Statement Amounts**

a. **Cash and Cash Equivalents**

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

CALALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

b. Property Taxes

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

	General Fund	Debt Service Fund	Total
Delinquent Taxes	\$ 1,168,452	\$ 317,961	\$ 1,486,413
Allowance for Uncollectible Accounts	(701,964)	(167,082)	(869,046)
Net Taxes	\$ 466,488	\$ 150,879	\$ 617,367

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

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

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

d. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Building Improvements	20-50
Equipment	5-10
Vehicles	10
Furniture	10
Data Processing	5
Audio Visual	5

e. Leases (GASB 87)

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

CALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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

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

g. Deferred Outflows and Inflows of Resources

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

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

h. Receivable and Payable Balances

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

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

i. Compensated Absences

Utilizes a Days Used Approach methodology for calculating compensated absence liabilities. By analyzing five years of historical leave usage, this method projects future leave behavior to distinguish between; leave likely to be used as time off and leave likely to be paid out at termination.

Leave to be used at time off uses a percentage of leave used based on five years of historical leave usage data and applies that percentage to the total leave days accrued at fiscal year-end. The percentage is then applied to the current daily rate or hourly rate at fiscal year-end to calculate the total liability for leave used as time off.

Leave to be paid at termination subtracts the leave used as time off from the total leave days accrued at fiscal year end and applies the rate paid at termination to calculate the total liability for leave to be paid.

On retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in a lump case payment to such employee or his/her estate.

j. Interfund Activity

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

CALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

k. Use of Estimates

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

l. Data Control Codes

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

m. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

n. 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.

CALALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

o. 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.

4. Pensions

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

5. 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.

6. Implementation of New Standards

In the current fiscal year, the District implemented GASB 101 from the Government Accounting Standards Board (GASB) related to compensated absence liabilities.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

CALALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,079,012 and the bank balance was \$3,548,150. The District's cash deposits at August 31, 2025 and during the year ended August 31, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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 August 31, 2025 are included in cash equivalents and are shown below.

<u>Investment Type</u>	Investment Maturities (In Years)			
	Fair Value	Less than 1	1 to 2	2 to 3
Investment Pools:				
Investment in TexPool	30,001,526	30,001,526	-	--
Investment in Lone Star Pool	35,473,516	35,473,516	-	--
Total Fair Value	\$ 65,475,042	\$ 65,475,042	\$ --	\$ --

3. Analysis of Specific Deposit and Investment Risks

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

CALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

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.

CALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,237,075	\$ --	\$ --	\$ 1,237,075
Construction in progress	8,174,595	21,367,401	2,608,800	26,933,196
Total capital assets not being depreciated	<u>9,411,670</u>	<u>21,367,401</u>	<u>2,608,800</u>	<u>28,170,271</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	138,305,104	3,610,889	76,816	141,839,177
Equipment	5,857,591	136,440	1,956,188	4,037,843
Vehicles	4,001,624	111,318	45,427	4,067,515
Intangibles	626,553	--	--	626,553
Total capital assets being depreciated	<u>148,790,872</u>	<u>3,858,647</u>	<u>2,078,431</u>	<u>150,571,088</u>
Less accumulated depreciation for:				
Buildings and improvements	(48,651,222)	(3,284,126)	(50,699)	(51,884,649)
Equipment	(3,603,508)	(461,396)	(1,956,188)	(2,108,716)
Vehicles	(2,214,723)	(304,334)	(45,427)	(2,473,630)
Intangibles	(325,062)	(71,647)	--	(396,709)
Total accumulated depreciation	<u>(54,794,515)</u>	<u>(4,121,503)</u>	<u>(2,052,314)</u>	<u>(56,863,704)</u>
Total capital assets being depreciated, net	<u>93,996,357</u>	<u>(262,856)</u>	<u>26,117</u>	<u>93,707,384</u>
Governmental activities capital assets, net	<u>\$ 103,408,027</u>	<u>\$ 21,104,545</u>	<u>\$ 2,634,917</u>	<u>\$ 121,877,655</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,999,171
Instructional Resources and Media Services	38,740
Curriculum and Staff Development	85,985
Instructional Leadership	45,626
School Leadership	189,935
Guidance, Counseling, & Evaluation Services	162,761
Social Work Services	5,876
Health Services	52,439
Student Transportation	304,334
Food Services	203,924
Extracurricular Activities	167,190
General Administration	122,595
Plant Maintenance and Operations	596,983
Security and Monitoring Services	61,784
Data Processing Services	84,045
Community Services	115
	<u>\$ 4,121,503</u>

CALALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2025, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Custodial Funds	\$ 35,000	Short-term loans
Internal Service Fund	General Fund	10,733	Short-term loans
	Other Balances		
	Total	<u>\$ 45,733</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2025, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Internal Service Fund	\$ 10,733	Supplement other funds sources
Custodial Funds	Other Governmental Funds	2,630	Supplement other funds sources
	Total	<u>\$ 13,363</u>	

F. Long-Term Obligations

1. Long Term Obligation Activity

On August 22, 2024, the District issued \$12,335,000 Unlimited Tax School Building Bonds Series 2024 in part as serial bonds and part as term bonds with interest rates of 4.00% to 5.00%. The bonds will be used for the construction, renovation, improvement and equipment of Phil Danaher Stadium, Steve Chapman Stadium and Lady Cat Softball Stadium and pay costs of issuance related to Series 2024 bonds. The bonds are secured by a levy of an annual ad valorem tax and is payable over a period of 25 years. Payments will be made semi-annually on February 15 and August 15, with the first payment due February 15, 2025 and the final payment due February 15, 2053. Bonds maturing on February 15, 2035 are subject to optional redemption prior to their scheduled maturities at the option of the District, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034 or any date thereafter at the redemption price of par plus accrued but unpaid interest to such redemption date. The series 2024 bonds maturing on February 15, 2049 (the "Term Bonds") are subject to mandatory sinking fund redemption.

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended 2025, Calallen Independent School District, are as follows:

CALALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/24	Issued	Retired	Amounts Outstanding 8/31/25	Amounts Due Within One Year
Unlimited Tax Refunding Bonds 2.00% to Series 2015	4.00%	8,540,000	6,940,000	--	1,535,000	5,405,000	1,595,000
Unlimited Tax Refunding Bonds 2.00% to Series 2016	4.00%	8,720,000	8,450,000	--	--	8,450,000	--
Unlimited Tax Refunding Bonds 2.00% to Series 2017	4.00%	8,920,000	8,850,000	--	--	8,850,000	--
Unlimited Tax School Bulding Bonds 2.00% to Series 2018	5.00%	36,935,000	27,470,000	--	580,000	26,890,000	580,000
Unlimited Tax Refunding Bonds 2.00% to Series 2018-A	4.00%	9,000,000	3,050,000	--	--	3,050,000	--
Unlimited Tax School Bulding Bonds Series 2023	5.00%	52,105,000	51,970,000	--	10,000	51,960,000	165,000
Unlimited Tax School Bulding Bonds 4.00% to Series 2024	5.00%	12,335,000	12,335,000	--	820,000	11,515,000	--
			<u>119,065,000</u>	<u>--</u>	<u>2,945,000</u>	<u>116,120,000</u>	<u>2,340,000</u>
Maintenance Tax Notes Series, 2021	1.00% to 4.00%	4,890,000	3,895,000	--	525,000	3,370,000	540,000
Arbitrage Payable				1,041,722		1,041,722	
Bond Premium			9,068,237		538,476	8,529,761	
Compensated Absences			2,532,439	439,499		2,971,938	1,424,056
Net Pension Liability			15,630,374		2,877,696	12,752,678	
Net OPEB Liability			7,816,491	2,035,293		9,851,784	
Total governmental activities			<u>\$ 158,007,541</u>	<u>\$ 3,516,514</u>	<u>\$ 6,886,172</u>	<u>\$ 154,637,883</u>	<u>\$ 4,304,056</u>

CALALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2025, are as follows:

Year Ending August 31,	Governmental Activities					
	General Obligation Bonds			Maintenance Tax Notes		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 2,340,000	\$ 5,365,062	\$ 7,705,062	\$ 540,000	\$ 47,945	\$ 587,945
2027	2,570,000	5,258,612	7,828,612	555,000	31,745	586,745
2028	2,875,000	5,139,488	8,014,488	560,000	26,195	586,195
2029	3,065,000	5,008,488	8,073,488	565,000	20,595	585,595
2030	3,395,000	4,865,512	8,260,512	570,000	14,380	584,380
2031-2035	18,940,000	22,019,703	40,959,703	580,000	7,540	587,540
2036-2040	23,130,000	17,451,969	40,581,969	--	--	--
2041-2045	29,610,000	10,971,569	40,581,569	--	--	--
2046-2050	21,530,000	4,312,297	25,842,297	--	--	--
2051-2053	8,665,000	663,375	9,328,375	--	--	--
Totals	\$ 116,120,000	\$ 81,056,075	\$ 197,176,075	\$ 3,370,000	\$ 148,400	\$ 3,518,400

General obligation bonds are paid by the Debt Service Fund with the support of the General Fund. Maintenance Tax Notes are paid by the General Fund.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions.

The District had no defeased bonds outstanding at August 31, 2025.

Calallen Independent School District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Events Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC rule 15c2-12 to enable investors to analyze the financial condition and operations of Calallen Independent School District.

3. Compensated Absences

Compensated Absences	Governmental Activities	
	2025	2024
	\$ 2,971,938	\$ 2,532,439

The District implemented GASB Statement No. 101 during the year ended August 31, 2025. A prior period adjustment of \$2,532,439 was required to record the beginning balance of the compensated absence liability for the year ended August 31, 2024.

The adoption of Statement No. 101 has no impact on the District's governmental fund financial statements, which continue to report leave expenditures as they are incurred during the course of the year. However, the adoption has resulted in reporting in the government-wide financial statements to reflect the net compensated absences liability and deferred inflows of resources and deferred outflows of resources for its qualified plan and the recognition of expense in accordance with the provisions of the Statement.

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

Liability	Activity Type	Fund
Claims and judgments	Governmental	General

CALALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2025, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

4. Contributions

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

CALALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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

	<u>Contribution Rates</u>	
	2024	2025
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
District's 2025 Employer Contributions		\$ 1,216,205
District's 2025 Member Contributions		\$ 2,551,571
2024 NECE On-Behalf Contributions (State)		\$ 1,875,078

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

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

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

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

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

CALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

5. Actuarial Assumptions

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

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

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

The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023. For a full description of these assumptions, please see the actuarial valuation report dated November 22, 2023.

6. Discount Rate

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

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

The long-term expected rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2024 are summarized below:

Asset Class	Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	4.4%	1.0%
Non-U.S. Developed	13.0%	4.2%	0.8%
Emerging Markets	9.0%	5.2%	0.7%
Private Equity	14.0%	6.7%	1.2%

CALALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

Stable Value			
Government Bonds	16.0%	1.9%	0.4%
Stable Value Hedge Funds	5.0%	3.0%	0.2%
Absolute Return *	0.0%	4.0%	0.0%
Real Return			
Real Estate	15.0%	6.6%	1.2%
Energy, Natural Resources and Infrastructure	6.0%	5.6%	0.4%
Commodities	0.0%	2.5%	0.0%
Risk Parity	8.0%	4.0%	0.4%
Asset Allocation Leverage			
Cash	2.0%	1.0%	0.0%
Asset Allocation Leverage	(6.0%)	1.3%	(0.1)%
Inflation Expectation			2.4%
Volatility Drag ****			(0.7)%
Expected Return	100.0%		7.9%
* Absolute Return includes Credit Sensitive Investments.			
** Target allocations are based on the FY2023 policy model.			
*** Capital Market Assumptions come from Aon Hewitt (as of 06/30/2023)			
**** The volatility drag results from the conversion between arithmetic and geometric mean returns.			

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	\$ 20,369,259	\$ 12,752,678	\$ 6,441,800

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

At August 31, 2025, the District reported a liability of \$12,752,678 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District's proportionate share of the collective net pension liability	\$ 12,752,678
State's proportionate share that is associated with District	<u>20,324,831</u>
Total	<u>\$ 33,077,509</u>

The net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the

CALALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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

At the measurement date of August 31, 2024 the employer's proportion of the collective net pension liability was 0.0208772208 percent which was an increase (decrease) of 0.00042015 percent from its proportion measured as of August 31, 2023.

9. Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2025, the District recognized pension expense of \$4,105,780 and revenue of \$2,429,157 for support provided by the State.

At August 31, 2025, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Actuarial Experience	\$ 702,910	\$ 99,567
Changes in Actuarial Assumptions	658,448	88,275
Difference Between Projected and Actual Investment Earnings	77,520	-
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	652,439	1,039,918
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability (to be calculated by employer)	1,216,205	--
Total	<u>\$ 3,307,522</u>	<u>\$ 1,227,760</u>

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

Year ended August 31,	Pension Expense Amount
2026	\$ (77,074)
2027	\$ 1,354,540
2028	\$ 120,921
2029	\$ (465,848)
2030	\$ (68,983)
Thereafter	\$ --

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

CALALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

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

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

4. Contributions

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

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

CALALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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

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

District's 2025 Employer Contributions	\$	290,709
District's 2025 Member Contributions	\$	201,033
2024 NECE On-Behalf Contributions (state)	\$	369,431

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

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

5. Actuarial Assumptions

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

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

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

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

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

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
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CALALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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

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

6. Discount Rate

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

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

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.87%)	Current Single Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the Net OPEB Liability:	\$ 11,704,380	\$ 9,851,784	\$ 8,354,859

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

At August 31, 2025, the District reported a liability of 9,851,784 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	\$ 9,851,784
State's proportionate share that is associated with the District	\$ 12,344,152
Total	\$ 22,195,936

CALALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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

At August 31, 2025 the District's proportion of the collective net OPEB liability was 0.0324589357,

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of Net OPEB Liability:	\$ 8,022,816	\$ 9,851,784	\$ 12,235,113

9. Changes Since the Prior Actuarial Valuation

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

- The discount rate was changed from 4.13 percent as of August 31, 2022 to 3.87 percent as of August 31, 2023. This change increased the Total OPEB Liability.

Changes of Benefit Terms Since the Prior Measurement Date

Since the last valuation was prepared for this plan, Texas Senate Bill 1055, which was signed by the Governor on May 10, 2023, added Stephen F. Austin University into the University of Texas System. As a result, eligible employees of Stephen F. Austin State University ceased being members under this OPEB plan effective August 31, 2023. This change is reflected in the Total OPEB Liability as of August 31, 2023. In addition, this valuation reflects the minor benefit changes that became effective September 1, 2023, since these changes were announced to plan members in advance of August 31, 2023. These minor benefit changes, which are not expected to have a significant impact on plan costs for fiscal year 2024, are provided for in the fiscal year 2024 Assumed Per Capita Health Benefit Costs.

The amount of OPEB expense recognized by the District in the reporting period was \$(1,604,512).

At August 31, 2025, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,888,256	\$ 4,916,574
Changes in actuarial assumptions	1,260,912	3,214,523
Difference between projected and actual investment earnings		27,588
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	904,681	2,627,759
Contributions paid to TRS subsequent to the		

CALALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

measurement date	290,709
Total	\$ <u>4,344,558</u> \$ <u>10,786,444</u>

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

Year ended August 31:	OPEB Expense Amount
2026	\$ (1,747,334)
2027	\$ (1,301,133)
2028	\$ (1,437,790)
2029	\$ (1,177,326)
2030	\$ (688,869)
Thereafter	\$ (380,144)

For the year ended August 31, 2025, the District recognized OPEB expense of \$(3,095,462) and revenue of \$(1,604,512) for support provided by the State.

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2025, the subsidy payment received by TRS-Care on behalf of the District was \$222,809.

J. Employee Health Care Coverage

During the year ended August 31, 2025, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$188 per pay period per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the are available for the year ended , have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

K. Commitments and Contingencies

1. Contingencies

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

CALALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

2. Arbitrage

School districts are required to rebate to the IRS the excess of investment earnings on bond proceeds if the yield on those earnings is materially higher than the yield on the related tax-exempt bonds that the school district issued. The rebate is payable every five years or maturity of the bonds, whichever is earlier. The arbitrage liability calculation should be made annually. The District has calculated the liability to be \$1,041,722.

L. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through October 30, 2025 (the date of the Audit Report). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events that require additional disclosure.

M. Tax Abatements

The Calallen ISD Board of Trustees has approved agreements with various companies for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the projects. The applications, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller's website: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>.

After approval, the applicant company must maintain a viable presence in the district for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that a company terminates this Agreement without the consent of the District, or in the event that the company or its successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, the the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Sec 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Sec. 33.01(c), or its successor statute. The agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

[Below is the abatement information that is required by GASB Statement No. 77 for M&O purposes. It includes the net benefit to the District but does not include any I&S impact.

CALLEN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

< A >	< B >	< C >	< D <	< E >	< F >	< G >
Project Value 2024	Project's Value Limitation Amount 2024	Amount of Applicant's M&O Taxes Paid 2024	Amount of Applicant's M&O Taxes Reduced 2024	Company Revenue Loss Payment to School District 20254	Company Supplemental Payment to School District 2024	Net Benefit (Loss) to the School District 2023 (E+F)
\$436,864,350	\$437M	\$3,361,671	--	--	\$350,988	\$350,988
\$226,226,250	\$30M	\$230,850	\$1,509,961	--	\$356,891	\$356,891

Project Description

1. Equistar Chemicals, LP (Application #305)
First Year Value Limitation: 2016
2. EPIC Y-Grade Logistics, LP (Application #1230)
First Year Value Limitation: 2021

N. Construction Commitments

Construction Commitments - For Year End August 31, 2025

The District has several construction projects in various stages of development as part of the voter approved Bond 2023 and Bond 2024 programs. All projects are being managed by the district's administrative staff with support from architects, engineers, construction managers at-risk, legal counsel, and other related service providers. The School Board is providing the oversight required by law and board policy. Additionally, the Bond Advisory Committee provides oversight and recommendations to the Superintendent and School Board for the voter approved Bond 2023 & Bond 2024 projects. Any additional information may be requested from the Office of the Assistant Superintendent of Finance & Operations.

Voter Approved Bond 2023 Projects

- * Calallen High School Covered Walkway to AG, CTE, and Dual Credit
- * Magee Intermediate Fire Lane Upgrade
- * West Intermediate Pavillion Addition
- * East Elementary General Remodel
- * Field House Renovation
- * New Performing Arts Facility at Calallen High School
- * Tennis Courts with Restrooms & Concessions
- * Transportation Facility Parking Lot Expansion
- * Districtwide Deferred Maintenance Projects

Voter Approved Bond 2024 Projects

- * Baseball & Softball Field Turf & Fence Replacements
- * Phil Danaher Stadium Renovations, Press Box, and Scoreboard Replacement

Required Supplementary Information

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

CALLEN INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 21,780,000	\$ 22,040,000	\$ 22,311,433	\$ 271,433
5800	State Program Revenues	20,051,471	20,051,471	20,752,908	701,437
5900	Federal Program Revenues	300,000	300,000	459,625	159,625
5020	Total Revenues	<u>42,131,471</u>	<u>42,391,471</u>	<u>43,523,966</u>	<u>1,132,495</u>
EXPENDITURES:					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	24,678,712	24,903,712	23,753,299	1,150,413
0012	Instructional Resources and Media Services	514,462	514,462	481,692	32,770
0013	Curriculum and Instructional Staff Development	927,000	927,000	850,533	76,467
	Total Instruction and Instr. Related Services	<u>26,120,174</u>	<u>26,345,174</u>	<u>25,085,524</u>	<u>1,259,650</u>
Instructional and School Leadership:					
0021	Instructional Leadership	514,174	539,174	500,623	38,551
0023	School Leadership	2,536,431	2,561,431	2,483,958	77,473
	Total Instructional and School Leadership	<u>3,050,605</u>	<u>3,100,605</u>	<u>2,984,581</u>	<u>116,024</u>
Student Support Services:					
0031	Guidance, Counseling and Evaluation Services	1,980,294	1,980,294	1,856,213	124,081
0032	Social Work Services	109,640	109,640	77,417	32,223
0033	Health Services	689,425	714,425	684,438	29,987
0034	Student Transportation	1,249,166	1,499,166	1,351,908	147,258
0035	Food Services	30,000	30,000	19,199	10,801
0036	Extracurricular Activities	2,087,873	2,262,873	2,157,570	105,303
	Total Student Support Services	<u>6,146,398</u>	<u>6,596,398</u>	<u>6,146,745</u>	<u>449,653</u>
Administrative Support Services:					
0041	General Administration	1,543,252	1,693,252	1,580,557	112,695
	Total Administrative Support Services	<u>1,543,252</u>	<u>1,693,252</u>	<u>1,580,557</u>	<u>112,695</u>
Support Services:					
0051	Facilities Maintenance and Operations	6,565,893	6,565,893	6,128,232	437,661
0052	Security and Monitoring Services	665,448	815,448	722,774	92,674
0053	Data Processing Services	1,118,840	1,193,840	1,054,881	138,959
	Total Support Services	<u>8,350,181</u>	<u>8,575,181</u>	<u>7,905,887</u>	<u>669,294</u>
Debt Service:					
0071	Debt Service	525,000	525,000	525,000	-
0072	Interest on Long-Term Debt	65,000	65,000	63,695	1,305
0073	Bond Issuance Costs and Fees	1,500	1,500	825	675
	Total Debt Service	<u>591,500</u>	<u>591,500</u>	<u>589,520</u>	<u>1,980</u>
Intergovernmental Charges:					
0091	Contracted Instr. Services Between Public Schools	125,000	150,000	99,581	50,419
0095	Payments to Juvenile Justice Alternative Education Programs	65,000	65,000	53,592	11,408
0099	Other Intergovernmental Charges	300,000	335,000	333,703	1,297
	Total Intergovernmental Charges	<u>490,000</u>	<u>550,000</u>	<u>486,876</u>	<u>63,124</u>
6030	Total Expenditures	<u>46,292,110</u>	<u>47,452,110</u>	<u>44,779,690</u>	<u>2,672,420</u>

CALLEN INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(4,160,639)</u>	<u>(5,060,639)</u>	<u>(1,255,724)</u>	<u>3,804,915</u>
	Other Financing Sources (Uses):				
8911	Operating Transfers Out	<u>--</u>	<u>(11,000)</u>	<u>(10,733)</u>	<u>267</u>
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>(11,000)</u>	<u>(10,733)</u>	<u>267</u>
1200	Net Change in Fund Balance	<u>(4,160,639)</u>	<u>(5,071,639)</u>	<u>(1,266,457)</u>	<u>3,805,182</u>
0100	Fund Balance - Beginning	<u>18,749,742</u>	<u>18,749,742</u>	<u>18,749,742</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 14,589,103</u>	<u>\$ 13,678,103</u>	<u>\$ 17,483,285</u>	<u>\$ 3,805,182</u>

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

	Measurement Year *									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0204570704%	0.0250298745%	0.0224519420%	0.0181990863%	0.0179044622%	0.0159291372%	0.0148714973%	0.0153760443%	0.0161322366%	0.0170881000%
District's proportionate share of the net pension liability (asset)	\$ 12,496,033	\$ 17,193,109	\$ 13,329,141	\$ 4,634,663	\$ 9,589,265	\$ 8,280,463	\$ 8,185,631	\$ 4,916,431	\$ 6,096,132	\$ 6,040,416
State's proportionate share of the net pension liability (asset) associated with the District	18,342,513	1,972,139	19,064,062	8,992,396	19,282,814	17,630,557	19,099,929	11,724,766	14,864,443	14,351,802
Total	\$ 30,838,546	\$ 19,165,248	\$ 32,393,203	\$ 13,627,059	\$ 28,872,079	\$ 25,911,020	\$ 27,285,560	\$ 16,641,197	\$ 20,960,575	\$ 20,392,218
District's covered payroll	\$ 30,616,620	\$ 30,924,707	\$ 28,895,269	\$ 27,791,943	\$ 27,666,906	\$ 26,856,599	\$ 26,241,781	\$ 25,069,505	\$ 23,453,444	\$ 22,327,598
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	40.81%	55.60%	46.13%	16.68%	34.66%	30.83%	31.19%	19.61%	25.99%	27.05%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

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

CALLEN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 1,216,205	\$ 1,176,239	\$ 1,169,653	\$ 1,031,745	\$ 864,734	\$ 817,972	\$ 782,149	\$ 758,250	\$ 714,620	\$ 653,254
Contributions in relation to the contractually required contribution	(1,216,205)	(1,176,239)	(1,169,653)	(1,031,745)	(864,734)	(817,972)	(782,149)	(758,250)	(714,620)	(653,254)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 30,928,174	\$ 30,616,620	\$ 30,924,707	\$ 28,895,269	\$ 27,791,943	\$ 27,666,906	\$ 26,856,599	\$ 26,241,784	\$ 25,069,508	\$ 23,453,464
Contributions as a percentage of covered payroll	3.93%	3.84%	3.78%	3.57%	3.11%	2.96%	2.91%	2.89%	2.85%	2.79%

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

	Measurement Year **							
	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the collective net OPEB liability	0.0299720025%	0.0347791105%	0.0326359036%	0.0287913714%	0.0285317191%	0.0281608383%	0.0277183505%	0.0279620480%
District's proportionate share of the collective net OPEB liability	\$ 9,096,962	\$ 7,699,506	\$ 7,814,342	\$ 11,106,119	\$ 10,846,195	\$ 13,317,605	\$ 13,840,026	\$ 12,159,646
State proportionate share of the collective net OPEB liability associated with the District	\$ 11,398,370	\$ 9,290,637	\$ 9,532,270	\$ 14,879,724	\$ 14,574,686	\$ 17,696,119	\$ 18,391,032	\$ 17,042,404
Total	<u>\$ 20,495,332</u>	<u>\$ 16,990,143</u>	<u>\$ --</u>	<u>\$ 25,985,843</u>	<u>\$ 25,420,881</u>	<u>\$ 31,013,724</u>	<u>\$ 32,231,058</u>	<u>\$ 29,202,050</u>
District's covered payroll	\$ 30,616,620	\$ 30,924,707	\$ 28,895,269	\$ 27,791,943	\$ 27,665,906	\$ 26,856,599	\$ 26,241,781	\$ 25,069,505
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	29.71%	24.90%	27.04%	39.96%	39.20%	49.59%	52.74%	48.50%
Plan fiduciary net position as a percentage of the total OPEB liability	13.70%	14.94%	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

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

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

CALLEN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
*LAST TEN FISCAL YEARS **

	Fiscal Year							
	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily or contractually required District contribution	\$ 290,709	\$ 294,789	\$ 306,284	\$ 280,110	\$ 258,801	\$ 269,575	\$ 261,189	\$ 257,369
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(290,709)	(294,789)	(306,284)	(280,110)	(258,801)	(269,575)	(261,189)	(257,369)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 30,928,174	\$ 30,616,620	\$ 30,924,707	\$ 28,895,269	\$ 27,791,943	\$ 27,665,906	\$ 26,856,599	\$ 26,241,781
Contributions as a percentage of covered payroll	0.94%	0.96%	0.99%	0.97%	0.93%	0.97%	0.97%	0.98%

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

CALALLEN INDEPENDENT SCHOOL DISTRICT

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2025*

Budget

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

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the board.

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

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

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

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

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

Other Post-Employment Benefit Plan

Changes of benefit terms

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

Changes of assumptions

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

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CALLEN INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2025

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	240 National School Breakfast/Lunch Program	244 Career and Tech Education Basic Grant
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ (170,894)	\$ (195,253)	\$ 1,147,192	\$ (12,580)
1240 <i>Due from Other Governments</i>	170,894	195,253	126,374	12,580
1300 <i>Inventories</i>	--	--	74,079	--
1000 Total Assets	<u>--</u>	<u>--</u>	<u>1,347,645</u>	<u>--</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ --	\$ --	\$ 97,826	\$ --
2160 <i>Accrued Wages Payable</i>	--	--	75,913	--
2300 <i>Unearned Revenue</i>	--	--	--	--
2000 Total Liabilities	<u>--</u>	<u>--</u>	<u>173,739</u>	<u>--</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410 <i>Inventories</i>	--	--	74,079	--
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	1,099,827	--
Assigned Fund Balances:				
3590 <i>Other Assigned Fund Balance</i>	--	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>1,173,906</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,347,645</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

	255 ESEA Title II Training & Recruiting	287 Title IV, Pt A Subpart 1	289 Federally Funded Special Revenue Fund	397 Advanced Placement Incentives	410 State Textbook Fund
	\$ (98,242)	\$ (10,034)	\$ (76,038)	\$ 175	\$ (38,273)
	98,242	10,034	76,038	--	74,203
	--	--	--	--	--
	<u>--</u>	<u>--</u>	<u>--</u>	<u>175</u>	<u>35,930</u>
	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>175</u></u>	<u><u>35,930</u></u>
	\$ --	\$ --	\$ --	\$ --	\$ --
	--	--	--	--	--
	--	--	--	175	35,930
	<u>--</u>	<u>--</u>	<u>--</u>	<u>175</u>	<u>35,930</u>
	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>175</u></u>	<u><u>35,930</u></u>
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>175</u></u>	<u><u>35,930</u></u>

CALLEN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 AUGUST 31, 2025

Data Control Codes	429 State Funded Special Revenue Fund	455 Curriculum Writing
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ (11,507)	\$ 9,214
1240 <i>Due from Other Governments</i>	69,687	--
1300 <i>Inventories</i>	--	--
1000 Total Assets	<u>58,180</u>	<u>9,214</u>
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 58,180	\$ --
2160 <i>Accrued Wages Payable</i>	--	--
2300 <i>Unearned Revenue</i>	--	9,214
2000 Total Liabilities	<u>58,180</u>	<u>9,214</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3410 <i>Inventories</i>	--	--
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--
Assigned Fund Balances:		
3590 <i>Other Assigned Fund Balance</i>	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 58,180</u>	<u>\$ 9,214</u>

The accompanying notes are an integral part of this statement.

461 Campus Activity	484 Calallen Education Foundation	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 266,040	\$ 17,883	\$ 827,683
--	--	833,305
--	--	74,079
<u>266,040</u>	<u>17,883</u>	<u>1,735,067</u>
\$ (48,984)	\$ --	\$ 107,022
--	--	75,913
--	17,883	63,202
<u>(48,984)</u>	<u>17,883</u>	<u>246,137</u>
--	--	74,079
--	--	1,099,827
315,024	--	315,024
<u>315,024</u>	<u>--</u>	<u>1,488,930</u>
<u>\$ 266,040</u>	<u>\$ 17,883</u>	<u>\$ 1,735,067</u>

CALALLEN INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-Part B Preschool Grant	240 National School Breakfast/Lunch Program
REVENUES:				
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ 790,340
5800 State Program Revenues	--	--	--	37,766
5900 Federal Program Revenues	729,699	863,889	17,967	1,821,404
5020 Total Revenues	<u>729,699</u>	<u>863,889</u>	<u>17,967</u>	<u>2,649,510</u>
EXPENDITURES:				
Current:				
0011 Instruction	721,799	565,857	17,967	--
0012 Instructional Resources and Media Services	--	--	--	--
0013 Curriculum and Staff Development	200	10,793	--	--
0021 Instructional Leadership	7,700	3,169	--	--
0023 School Leadership	--	--	--	--
0031 Guidance, Counseling, and Evaluation Services	--	284,070	--	--
0033 Health Services	--	--	--	--
0035 Food Service	--	--	--	2,572,401
0036 Cocurricular/Extracurricular Activities	--	--	--	--
0041 General Administration	--	--	--	--
0051 Facilities Maintenance and Operations	--	--	--	652
0052 Security and Monitoring Services	--	--	--	--
0061 Community Services	--	--	--	--
0081 Capital Outlay	--	--	--	--
6030 Total Expenditures	<u>729,699</u>	<u>863,889</u>	<u>17,967</u>	<u>2,573,053</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	--	--	76,457
Other Financing Sources and (Uses):				
7915 Transfers In	--	--	--	--
7080 Total Other Financing Sources and (Uses)	--	--	--	--
1200 Net Change in Fund Balances	--	--	--	76,457
0100 Fund Balances - Beginning	--	--	--	1,097,449
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,173,906</u>

The accompanying notes are an integral part of this statement.

244 Career and Tech Education Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	287 Title IV Part A Subpart 1	289 Federally Funded Special Revenue Fund
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
51,992	144,293	10,500	67,365	246,438
<u>51,992</u>	<u>144,293</u>	<u>10,500</u>	<u>67,365</u>	<u>246,438</u>
51,992	91,820	10,500	22,287	71,060
--	--	--	--	--
--	39,250	--	37,446	55,169
--	--	--	--	88,026
--	8,982	--	--	13,261
--	--	--	--	883
--	2,709	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	7,632	18,039
--	1,532	--	--	--
--	--	--	--	--
<u>51,992</u>	<u>144,293</u>	<u>10,500</u>	<u>67,365</u>	<u>246,438</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

CALALLEN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	410 State Textbook Fund	429 State Funded Special Revenue Fund
REVENUES:		
5700 Local and Intermediate Sources	\$ --	\$ --
5800 State Program Revenues	71,825	892,314
5900 Federal Program Revenues	--	--
5020 Total Revenues	<u>71,825</u>	<u>892,314</u>
EXPENDITURES:		
Current:		
0011 Instruction	71,825	700
0012 Instructional Resources and Media Services	--	39
0013 Curriculum and Staff Development	--	111,128
0021 Instructional Leadership	--	--
0023 School Leadership	--	--
0031 Guidance, Counseling, and Evaluation Services	--	--
0033 Health Services	--	--
0035 Food Service	--	--
0036 Cocurricular/Extracurricular Activities	--	--
0041 General Administration	--	--
0051 Facilities Maintenance and Operations	--	97,679
0052 Security and Monitoring Services	--	43,743
0061 Community Services	--	--
0081 Capital Outlay	--	639,025
6030 Total Expenditures	<u>71,825</u>	<u>892,314</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--
1100 Expenditures	--	--
Other Financing Sources and (Uses):		
7915 Transfers In	--	--
7080 Total Other Financing Sources and (Uses)	--	--
1200 Net Change in Fund Balances	--	--
0100 Fund Balances - Beginning	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

461 Campus Activity	481 TAMUK	484 Calallen Education Foundation	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ 291,794	\$ 4,200	\$ 80,082	\$ 1,166,416
--	--	--	1,001,905
--	--	--	3,953,547
<u>291,794</u>	<u>4,200</u>	<u>80,082</u>	<u>6,121,868</u>
283,846	--	55,489	1,965,142
--	--	23,316	23,355
--	3,000	--	256,986
--	400	--	99,295
--	800	--	23,043
--	--	--	284,953
--	--	464	3,173
--	--	--	2,572,401
--	--	685	685
--	--	128	128
--	--	--	98,331
--	--	--	69,414
--	--	--	1,532
--	--	--	639,025
<u>283,846</u>	<u>4,200</u>	<u>80,082</u>	<u>6,037,463</u>
7,948	--	--	84,405
2,630	--	--	2,630
<u>2,630</u>	<u>--</u>	<u>--</u>	<u>2,630</u>
10,578	--	--	87,035
304,446	--	--	1,401,895
<u>\$ 315,024</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,488,930</u>

CALALLEN INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

AUGUST 31, 2025

Data Control Codes	753 Insurance Fund	770 Internal Service Fund	Total Internal Service Funds (See Exhibit D-1)
ASSETS:			
Current Assets:			
1110	\$ 708,651	\$ (10,733)	\$ 697,918
Receivables:			
1260	--	10,733	10,733
	<u>708,651</u>	<u>--</u>	<u>708,651</u>
1000	<u>708,651</u>	<u>--</u>	<u>708,651</u>
LIABILITIES:			
Current Liabilities:			
2200	\$ 251,055	\$ --	\$ 251,055
	<u>251,055</u>	<u>--</u>	<u>251,055</u>
2000	<u>251,055</u>	<u>--</u>	<u>251,055</u>
NET POSITION:			
3900	457,596		457,596
3000	<u>\$ 457,596</u>	<u>\$ --</u>	<u>\$ 457,596</u>

CALALLEN INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	753 Insurance Fund	770 Internal Service Fund	Total Internal Service Funds (See Exhibit D-2)
OPERATING REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 105,000	\$ 146,402	\$ 251,402
5020 <i>Total Revenues</i>	<u>105,000</u>	<u>146,402</u>	<u>251,402</u>
OPERATING EXPENSES:			
6200 <i>Professional and Contracted Services</i>	--	157,135	157,135
6400 <i>Other Operating Costs</i>	384,069	--	384,069
6030 <i>Total Expenses</i>	<u>384,069</u>	<u>157,135</u>	<u>541,204</u>
Operating Income (Loss)	<u>(279,069)</u>	<u>(10,733)</u>	<u>(289,802)</u>
NON-OPERATING REVENUES (EXPENSES):			
7955 <i>Earnings from Temp. Deposits and Investments</i>	35,641	--	35,641
8030 <i>Total Non-operating Revenues (Expenses)</i>	<u>35,641</u>	<u>--</u>	<u>35,641</u>
Income (Loss) before Contributions and Transfe	(243,428)	(10,733)	(254,161)
7915 <i>Transfers In</i>	--	10,733	10,733
1300 <i>Change in Net Position</i>	<u>(243,428)</u>	<u>--</u>	<u>(243,428)</u>
0100 <i>Total Net Position - Beginning</i>	701,024	--	701,024
3300 <i>Total Net Position - Ending</i>	<u>\$ 457,596</u>	<u>\$ --</u>	<u>\$ 457,596</u>

The accompanying notes are an integral part of this statement.

CALALLEN INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

	753 Insurance Fund	770 Internal Service Fund	Total Internal Service Funds (See Exhibit D-3)
Cash Flows from Operating Activities:			
<i>Cash Received from Customers</i>	\$ --	\$ --	\$ --
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	105,000	136,079	241,079
<i>Cash Payments to Suppliers for Goods and Services</i>	(307,386)	(157,135)	(464,521)
Net Cash Provided (Used) by Operating Activities	<u>(202,386)</u>	<u>(21,056)</u>	<u>(223,442)</u>
Cash Flows from Non-capital Financing Activities:			
<i>Transfers From (To) Other Funds</i>	--	10,733	10,733
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>	<u>10,733</u>	<u>10,733</u>
Cash Flows from Capital and Related Financing Activities:			
<i>Contributed Capital</i>	--	--	--
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>
Cash Flows from Investing Activities:			
<i>Interest and Dividends on Investments</i>	35,641	--	35,641
Net Cash Provided (Used) for Investing Activities	<u>35,641</u>	<u>--</u>	<u>35,641</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(166,745)	(10,323)	(177,068)
Cash and Cash Equivalents at Beginning of Year	875,396	(410)	874,986
Cash and Cash Equivalents at End of Year	<u>\$ 708,651</u>	<u>\$ (10,733)</u>	<u>\$ 697,918</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (279,069)	\$ (10,733)	\$ (289,802)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
<i>Depreciation</i>	--	--	--
<i>Provision for Uncollectible Accounts</i>	--	--	--
Change in Assets and Liabilities:			
<i>Decrease (Increase) in Receivables</i>	--	410	410
<i>Increase (Decrease) in Interfund Payables</i>	--	(10,733)	(10,733)
<i>Increase (Decrease) in Accrued Expenses</i>	76,683	--	76,683
<i>Increase (Decrease) in Unearned Revenue</i>	--	--	--
Total Adjustments	<u>76,683</u>	<u>(10,323)</u>	<u>66,360</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (202,386)</u>	<u>\$ (21,056)</u>	<u>\$ (223,442)</u>

CALALLEN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 AUGUST 31, 2025

Data Control Codes	865 Middle School Student Activity	876 High School Student Activity Fund	Total Agency Funds (See Exhibit E-1)
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 82,609	\$ 600,853	\$ 683,462
1000 Total Assets	<u>82,609</u>	<u>600,853</u>	<u>683,462</u>
LIABILITIES:			
2000 Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>
NET POSITION:			
3800 <i>Restricted for Other Purposes</i>	\$ 82,609	\$ 600,853	\$ 683,462
3000 Total Net Position	<u>\$ 82,609</u>	<u>\$ 600,853</u>	<u>\$ 683,462</u>

The accompanying notes are an integral part of this statement.

Other Supplementary Information

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

CALALLEN INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025*

Year Ended August 31	1 Tax Rates		2	3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/24
	Maintenance	Debt Service			
2016 and Prior Years	\$ Various	\$ Various		\$ Various	\$ 232,422
2017	1.17	.2052		1,465,059,118	76,997
2018	1.17	.2052		1,596,628,344	91,262
2019	1.17	.233		1,642,952,388	82,727
2020	1.0683	.243		1,755,753,908	84,356
2021	.9915	.243		1,969,469,664	96,528
2022	.9896	.243		2,027,848,612	133,757
2023	.9429	.243		2,240,226,663	157,941
2024	.7695	.2504		2,228,880,969	355,210
2025 (School Year Under Audit)	.7695	.2708		2,742,492,271	—
1000 Totals					\$ <u>1,311,200</u>

8000 - Total Taxes Refunded under Section 26.1115, Tax Code

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

EXHIBIT J-1

20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/25	99 Total Taxes Refunded Under Sect. 26.1115(c)
\$ --	\$ 16,808	\$ 3,360	\$ (31,377)	\$ 180,877	
--	8,140	1,428	(565)	66,864	
--	9,485	1,664	579	80,692	
--	11,682	2,326	(454)	68,264	
--	16,651	3,787	5,149	69,067	
--	22,792	5,586	16,187	84,337	
--	31,690	7,782	46,787	141,072	
--	50,112	12,915	33,973	128,887	
--	3,194	1,039	(149,174)	201,803	
28,530,147	19,965,027	7,545,501	(555,070)	464,550	
<u>\$ 28,530,147</u>	<u>\$ 20,135,581</u>	<u>\$ 7,585,388</u>	<u>\$ (633,966)</u>	<u>\$ 1,486,413</u>	
					\$ 11,491.00
	\$ --				

CALLEN INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
AS OF AUGUST 31, 2025

<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 2,980,824
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30)	\$ 1,739,566
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 75,898
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25)	\$ 68,340

CALALLEN INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT J-3

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	<i>Local and Intermediate Sources</i>	\$ 925,000	\$ 925,000	\$ 790,340	\$ (134,660)
5800	<i>State Program Revenues</i>	50,000	50,000	37,766	(12,234)
5900	<i>Federal Program Revenues</i>	1,965,000	1,965,000	1,821,404	(143,596)
5020	Total Revenues	<u>2,940,000</u>	<u>2,940,000</u>	<u>2,649,510</u>	<u>(290,490)</u>
EXPENDITURES:					
Current:					
Student Support Services:					
0034	<i>Student Transportation</i>	100,000	--	--	--
0035	<i>Food Services</i>	3,475,380	3,375,380	2,572,401	802,979
	Total Student Support Services	<u>3,575,380</u>	<u>3,375,380</u>	<u>2,572,401</u>	<u>802,979</u>
Support Services:					
0051	<i>Facilities Maintenance and Operations</i>	12,000	212,000	652	211,348
0053	<i>Data Processing Services</i>	35,000	35,000	--	35,000
	Total Support Services	<u>47,000</u>	<u>247,000</u>	<u>652</u>	<u>246,348</u>
6030	Total Expenditures	<u>3,622,380</u>	<u>3,622,380</u>	<u>2,573,053</u>	<u>1,049,327</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(682,380)	(682,380)	76,457	758,837
1200	Net Change in Fund Balance	<u>(682,380)</u>	<u>(682,380)</u>	<u>76,457</u>	<u>758,837</u>
0100	Fund Balance - Beginning	1,097,449	1,097,449	1,097,449	--
3000	Fund Balance - Ending	<u>\$ 415,069</u>	<u>\$ 415,069</u>	<u>\$ 1,173,906</u>	<u>\$ 758,837</u>

CALALLEN INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT J-4

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)	
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES:					
5700	Local and Intermediate Sources	\$ 7,625,000	\$ 7,625,000	\$ 7,818,884	\$ 193,884
5800	State Program Revenues	750,000	750,000	781,652	31,652
5020	Total Revenues	<u>8,375,000</u>	<u>8,375,000</u>	<u>8,600,536</u>	<u>225,536</u>
EXPENDITURES:					
Debt Service:					
0071	Debt Service	2,945,000	2,945,000	2,945,000	--
0072	Interest on Long-Term Debt	5,475,000	5,475,000	5,470,716	4,284
0073	Bond Issuance Costs and Fees	10,000	10,000	5,625	4,375
	Total Debt Service	<u>8,430,000</u>	<u>8,430,000</u>	<u>8,421,341</u>	<u>8,659</u>
6030	Total Expenditures	<u>8,430,000</u>	<u>8,430,000</u>	<u>8,421,341</u>	<u>8,659</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(55,000)	(55,000)	179,195	234,195
1200	Net Change in Fund Balance	<u>(55,000)</u>	<u>(55,000)</u>	<u>179,195</u>	<u>234,195</u>
0100	Fund Balance - Beginning	1,590,696	1,590,696	1,590,696	--
3000	Fund Balance - Ending	<u>\$ 1,535,696</u>	<u>\$ 1,535,696</u>	<u>\$ 1,769,891</u>	<u>\$ 234,195</u>



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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
Calallen Independent School District
4205 Wildcat Drive
Corpus Christi, Texas 78410

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calallen Independent School District, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise Calallen Independent School District's basic financial statements and have issued our report thereon dated October 30, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Calallen 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 Calallen Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Calallen 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2025-1, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Calallen Independent School District's Response to Findings

Calallen Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Calallen Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,

Gowland, Morales, & Smith, PLLC

Gowland, Morales & Smith, PLLC

Corpus Christi, Texas
October 30, 2025



GOWLAND, MORALES & SMITH, PLLC

Certified Public Accountants

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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
Calallen Independent School District
4205 Wildcat Drive
Corpus Christi, Texas 78410

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Calallen Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 Calallen Independent School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Calallen Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-1 to be a significant deficiency.

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

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

Respectfully submitted,

Gowland, Morales, & Smith, PLLC

Gowland, Morales & Smith, PLLC

Corpus Christi, Texas

October 30, 2025

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? X Yes None Reported

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

Version of compliance supplement used in audit: November 2025

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, para. 200.516(a)?? Yes X No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I, Part A
Special Education Cluster (IDEA):	
84.027A	IDEA-B Formula
84.173A	IDEA-B Preschool
Child Nutrition Cluster:	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	National School Lunch Program (Non-Cash)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

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

B. Financial Statement Findings

2025-1:

Condition:

The District processed a fraudulent change request to employee's direct deposit account resulting in misdirected payroll payment. The source of the fraudulent change request was determined be unauthorized access to an employee's district email account.

Criteria:

District internal control procedures require verification of all payroll change requests through independent confirmation methods-such as phone or in-person communication with the employee-prior to processing.

Cause:

The District accepted and processed the email request without verifying authenticity, relying solely on the employee email from their district assigned email account as sufficient authorization and confirmation.

Effect of Potential Effect:

The District incurred a financial loss of approximately \$1,700. While the loss was limited, the control weakness exposed the District to the risk of additional financial loss, data compromise, and reputational damage if not promptly addressed.

Recommendation:

The District should strengthen payroll internal controls by reinforcing independent verification and secondary review for all payroll changes, enhance employee training on fraud prevention, and strengthen email and system security protocols.

C. Federal Award Findings and Questioned Costs

See Above

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

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

CALALLEN INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2025

Finding 2025-1:

Contact Person: Kelsey Ramos, Assistant Superintendent of Finance and Operations

Corrective action planned:

Upon discovering the fraudulent payroll change request, the District acted immediately to contain the incident. The District's bank, Technology Department, and Administration were notified, and the affected transaction was promptly halted. A review of recent payroll changes identified additional targeted employee accounts, all of which were secured to prevent further unauthorized activity. The District also communicated with all staff to raise awareness and reinforce practices for identifying and reporting

To strengthen internal safeguards, the District updated its payroll procedures to require independent verification for all direct deposit and payroll account changes. The District continues to enhance email security and monitoring in collaboration with the Technology Department. These measures, combined with periodic reviews of payroll changes, reinforce the District's internal controls and help reduce the risk of similar incidents in the future.

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

EXHIBIT K-1
Page 1 of 2

(1)	(2)	(2A)	(3)	
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	178-903	\$ --	\$ 376,186
National School Lunch Program	10.555	178-903	--	1,240,457
National School Lunch Program (Non-cash)	10.555	178-903	--	192,756
Storage & Delivery Reimbursement	10.555	178-903	--	12,005
Total ALN Number 10.555			--	1,445,218
Total Passed Through State Department of Education			--	1,821,404
Total U. S. Department of Agriculture			--	1,821,404
Total Child Nutrition Cluster			--	1,821,404
HIGHWAY SAFETY CLUSTER:				
<u>U. S. Department of Transportation</u>				
Passed Through State Department of Education:				
Driver Education Training Initiative	20.600	178-903	--	19,425
Total U. S. Department of Transportation			--	19,425
Total Highway Safety Cluster			--	19,425
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
<i>IDEA-Part B, Formula</i>	84.027A	2566000117890	--	898,575
Total ALN Number 84.027A			--	898,575
<i>IDEA-Part B, Preschool</i>	84.173A	2566100117890	--	17,967
Total Passed Through State Department of Education			--	916,542
Total U. S. Department of Education			--	916,542
Total Special Education (IDEA) Cluster			--	916,542
OTHER PROGRAMS:				
<u>U. S. Department of Justice</u>				
Passed Through State Department of Education:				
DOJ Edward Byrne Memorial Justice Assist. Grant	16.738	178-903	--	18,039
Total U. S. Department of Justice			--	18,039
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
<i>Title I Part A - Improving Basic Programs</i>	84.010A	2561010117	\$ --	\$ 758,989
Total ALN Number 84.010A			\$ --	\$ 758,989
<i>Career and Technical Education - Basic Grant</i>	84.048A	2542000617890	--	51,994
<i>Title III, Part A-English Language Acquisition and Language Enhanc</i>	84.365A	2567100117890	--	10,500
<i>Title II, Part A - Teacher and Principal Training and Recruiting</i>	84.367A	2569450117890	--	149,908
Total ALN Number 84.367A			--	149,908

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

EXHIBIT K-1
Page 2 of 2

(1)	(2)	(2A)	(3)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Emergent Bilingual	84.369A	69552402	--	1,363
<i>Title IV, Part A, Subpart 1</i>	84.424A	2568010117890	--	67,365
Total ALN Number 84.424A			--	<u>74,657</u>
2024-2025 Stronger Connections Grant	84.424F	2368110171100	--	261,336
Total ALN Number 84.424F			--	<u>554,207</u>
Total Passed Through State Department of Education			--	<u>1,601,619</u>
Total U. S. Department of Education			--	<u>1,601,619</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ --</u>	<u>\$ 4,076,866</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				4,076,866
School Health and Related Services (SHARS)				336,306
TOTAL FEDERAL REVENUE EXHIBIT C-2				<u>4,413,172</u>

The accompanying notes are an integral part of this schedule.

CALALLEN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2025

Basis of Presentation

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

Summary of Significant Accounting Policies

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

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

CALLEN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2025

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