AGUA DULCE INDEPENDENT SCHOOL DISTRICT

Annual Financial Report

For the Year Ended August 31, 2025

GOWLAND, MORALES & SMITH, PLLC

Certified Public Accountants

Introductory Section

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

TABLE OF CONTENTS

	Page	Exhibit
INTRODUCTORY SECTION		
Certificate of Board	1	
FINANCIAL SECTION		
Independent Auditor's Report	2	
Management's Discussion and Analysis (Required Supplementary Information)	4	
Basic Financial Statements		
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	16	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18	C-3
Statement of Net Position - Internal Service Fund	19	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position - Internal Service Fund	20	D-2
Statement of Cash Flows - Proprietary Funds	21	D-3
Statement of Fiduciary Net Position - Fiduciary Funds	22	E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	23	E-2
Notes to the Financial Statements	24	
Required Supplementary Information		
Budgetary Comparison Schedules:		
General Fund	46	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher Retirement System Of Texas	47	G-2
Schedule of District's Contributions - Teacher Retirement System Of Texas	48	G-3
Schedule of the District's Proportionate Share of the Net OPEB Liability - OPEB Plan	49	G-4
Schedule of District's Contributions - OPEB Plan	50	G-5
Notes to Required Supplementary Information	51	
Combining Statements as Supplementary Information:		
Combining Balance Sheet - All Nonmajor Governmental Funds	52	H-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Nonmajor Governmental Funds	53	H-2

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

TABLE OF CONTENTS

	Page	Exhibit
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds	54	H-3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	56	H-4
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable	58	J-1
Use of Funds Report - Select State Allotment Program	60	J-2
Budgetary Comparison Schedules Required by the Texas Education Agency		
National School Breakfast and Lunch Program	61	J-3
Debt Service Fund	62	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 *Government Auditing Standards*	63	
Schedule of Findings and Questioned Costs	65	
Summary Schedule of Prior Audit Findings	66	
Corrective Action Plan	67	
Schedule of Required Responses to Selected School First Indicators	68	K-1

CERTIFICATE OF BOARD

Agua Dulce Independent School District	Nueces	178-901
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ✓ approved _____ disapproved for the year ended August 31, 2025, at a meeting of the board of trustees of such school district on the 9th 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
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Independent Auditor's Report

To the Board of Trustees
Agua Dulce Independent School District
P.O. Box 250
Agua Dulce, Texas 78330-0250

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 Agua Dulce 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 Agua Dulce 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 Agua Dulce 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 Agua Dulce 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 Agua Dulce 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 Agua Dulce 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 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 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 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 December 1, 2025 on our consideration of Agua Dulce 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 Agua Dulce Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Gowland, Morales, & Smith, PLLC

Gowland, Morales & Smith, PLLC

Corpus Christi, Texas
December 1, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Agua Dulce 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 $4,743,373 at August 31, 2025.
- During the year, the District's expenses were $266,741 more than the $7,361,888 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of $2,243,797 a decrease of $193,811 from 2024 ending fund balance.
- The decrease in fund balance is primarily due to salary increases and purchase of district property.

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.
- *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

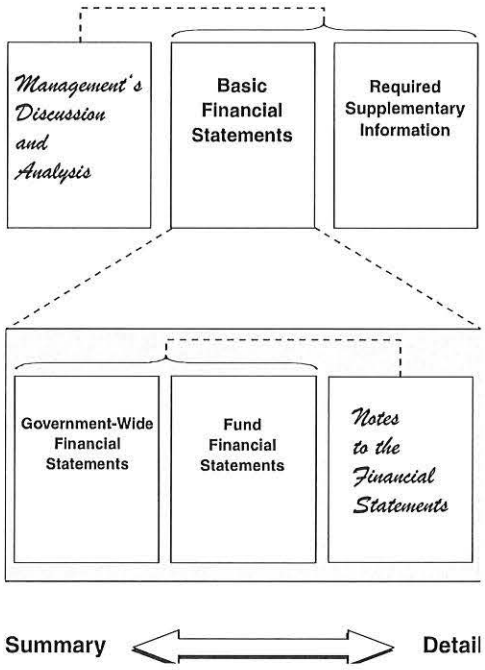

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of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

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

		Fund Statements		
Type of 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 position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net postion
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

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 2 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.

- *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 position and a statement of changes in fiduciary net position. 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 $4,743,373 at August 31, 2025. (See Table A-1).

Table A-1
Agua Dulce Independent School District's Net Position
(actual dollars)

	Governmental Activities		
	2025	2024	Change
Current assets:			
Cash and cash equivalents	$ 17,553,337	$ 2,843,268	$ 14,710,069
Property Taxes Receivable (Net)	101,540	100,185	1,355
Due from other governments	431,218	351,213	80,005
Due from Fiduciary	25,357	25,357	0
Other Receivables (Net)	0	0	0
Total current assets:	18,111,452	3,320,023	14,791,429
Noncurrent assets:			
Land	52,019	52,019	0
Construction in Progress	300,024	0	300,024
Buildings, Furniture & Equipment	8,369,194	8,489,566	(120,372)
Total noncurrent assets	8,721,237	8,541,585	179,652
Total Assets	26,832,689	11,861,608	14,971,081
Deferred Outflows	1,245,442	1,512,267	(266,825)
Current liabilities:			
Accounts payable and Accrued liabilities	546,069	214,739	331,330
Current portion of long-term debt	321,517	120,000	201,517
Total current liabilities	867,586	334,739	532,847
Long-term liabilities:			
Due in More Than One Year	18,595,800	3,839,045	14,756,755
Net Pension and OPEB Liaiblity	2,467,861	2,469,592	(1,731)
Total Liabilities	21,931,247	6,643,376	15,287,871
Deferred Inflows	1,403,511	1,720,386	(316,875)
Net Position:			
Invested in capital assets	5,929,393	5,126,585	802,808
Restricted	15,210,096	563,233	14,646,863
Unrestricted	(16,396,116)	(679,705)	(15,716,411)
Total Net Position	$ 4,743,373	$ 5,010,113	$ (266,740)

Unrestricted net position reflects a negative balance of $(16,396,116) The deficit in Unrestricted Net Position is created by the implementation of GASB 75 for OPEB Liability. The District reports its proportionate share of the net OPEB liability. 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 bond obligations also help to create a negative fund balance for the year ended.

Changes in net position. The District's total revenues were $7,361,888. A significant portion, 30 percent, of the District's revenue comes from taxes. The remainder comes from state and federal programs, investment earnings, charges for services, and miscellaneous other services.

The total cost of all programs and services was $7,628,629, 53% of these costs are for instructional and student services including food service.

Governmental Activities

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Table A-2
Changes in Agua Dulce Independent School District's Net Position
(in actual dollars)

	Governmental Activities		
	2025	2024	Change
Program Revenues:			
Charges for Services	$ 54,670	$ 44,223	$ 10,447
Operating Grants and Contributions	1,148,174	1,003,170	145,004
General Revenues			
Property Taxes	2,221,076	2,318,721	(97,645)
State Aid – Formula	3,750,518	3,650,772	99,746
Investment Earnings	166,493	117,189	49,304
Other	20,957	18,511	2,446
Total Revenues	7,361,888	7,152,586	209,302
Instruction	3,734,616	3,404,455	330,161
Instructional Resources and Media Services	40,424	42,741	(2,317)
Curriculum Dev. And Instructional Staff Dev.	33,401	34,198	(797)
School Leadership	322,894	328,811	(5,917)
Guidance, Counseling and Evaluation Services	180,426	154,721	25,705
Health Services	51,396	49,261	2,135
Student (Pupil) Transportation	260,431	251,216	9,215
Food Services	489,875	428,936	60,939
Curricular/Extracurricular Activities	455,804	477,181	(21,377)
General Administration	557,989	513,638	44,351
Plant Maintenance & Operations	956,857	1,013,026	(56,169)
Security and Monitoring Services	148,997	227,225	(78,228)
Data Processing Services	20,830	18,430	2,400
Debt Service	364,066	146,793	217,273
Payments Related to Shared Service Arrangements	10,623	10,061	562
	7,628,629	7,100,693	527,936
Change in Net Position	(266,741)	51,893	(318,634)
Net Position - Beginning	5,010,114	4,958,221	51,893
Net Position Ending	$ 4,743,373	$ 5,010,114	$ (266,741)

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.

- The cost of all *governmental* activities this year was $7,628,629.
- However, the amount that our taxpayers paid for these activities through property taxes was $2,221,076.
- Some of the cost was paid by those who directly benefited from the programs $54,670, or
- By operating grants and contributions $1,148,174.

Table A-3

Net Cost of Selected District Functions and WADA

(in actual dollars)

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2025	2024		2025	2024	
Instruction	$ 3,734,616	$ 3,404,455	9.70%	$ 3,310,892	$ 2,977,294	11.20%
School Leadership	322,894	328,811	-1.80%	309,011	315,569	-2.08%
General Administration	557,989	513,638	8.63%	534,409	493,077	8.38%
Plant Maintenance & Operations	956,857	1,013,026	-5.54% #	917,168	967,532	-5.21%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled $7,536,441, an increase of 3.99% over the preceding year $7,235,467. The increase in revenue is attributed to property tax value growth and higher property tax collections, and state revenue growth due to an increase in enrollment and ADA.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget (1) one time. Even with these adjustments, actual revenue was $34,689 below budget and expenditures were $204,478 less than the final budget amounts. The majority of the savings came from conservative budgeting practices, personnel vacancies unable to fill, and maintenance and operations items not purchased.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025 the District had invested $8,721,237 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 and deductions) of $179,652.

	Governmental Activities 2024	Additions	Deletions	Total 2025
Land	$ 52,019	$	$	$ 52,019
Construction in Progress	-	505,882		505,882
Buildings and improvements	12,454,445	65,969		12,520,414
Equipment and Vehicles	1,695,250	31,115		1,726,365
Totals at historical cost	14,201,714	602,966	0	14,804,680
Total accumulated depreciation	(5,660,129)	(423,314)		(6,083,443)
Net capital assets	$ 8,541,585	$ 179,652	$ -	$ 8,721,237

Long Term Debt

At year-end the District had $17,845,000 in bonds outstanding as shown in Table A-5. More detailed information about the District debt is presented in the Notes to the Financial Statements.

Table A-5
District's Long Term Debt
(in actual dollars)

	Governmental Activites			
	Ending Balance 2024	Increases	Decreases	Ending Balance 2025
Bonds Payable	$ 3,415,000	$ 14,815,000	$ 385,000	$ 17,845,000
Compensated Abse.	$ 35,200	$ 120,686	$ -	$ 155,886
Premium	$ 508,845	$ 445,568	$ 37,982	$ 916,431
Pension Liability	$ 1,674,529	$	$ 258,140	$ 1,416,389
OPEB Liablity	$ 795,063	$ 256,409	$	$ 1,051,472

Net Pension Liability

The District implemented GASB Statement No. 68 during the year ended August 31, 2015. A prior period adjustment of $261,148 was required to record the beginning balance of the pension liability for the year ended August 31, 2014. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental non-employer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement.

Other Post-Employment Benefit Plans (OPEB)

The District implemented GASB Statement No. 75 during the year ended August 31, 2018. A prior period adjustment of $2,622,424 was required to record the beginning balance of the pension liability for the year ended August 31, 2017. 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 Benefits (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

The adoption of Statement No. 75 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of health insurance unaffected by the change. However, the adoption has resulted in reporting in the government-wide financial statements to reflect the net OPEB 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District finished 2024-2025 with a fund balance of $2,243,797 in the general fund. This being a planned use of fund balance for salary increases and purchase of district property, with a decrease of $145,462 over the previous year. Total revenues in the general fund were $6,023,236 with total expenditures of $6,217,047.
- The district has a bonded indebtedness of $17,845,000. The District issued Unlimited Tax School Building Bonds during 2025. Bond payments are made each year in a timely manner in February and August.
- The district's refined average daily attendance is on the rise.
- The district has sought and will continue to seek funding from other sources.
- The district will consider cuts in state funding during budget preparations if necessary.
- The tax rate decreased in 2025. Maintenance Tax rate is $0.7575/$100 and the 2025 Debt Tax rate is at $0.233500/$100.
- The district has begun the Child and Adult Food Care Program (CACFP) federal program which provides free dinner meals for any student in grades PK-12.

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 Business Office, at 361-998-2542 extension 2.

Basic Financial Statements

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION
AUGUST 31, 2025

Data Control Codes		1 Governmental Activities
	ASSETS:	
1110	*Cash and Cash Equivalents*	$ 17,553,337
1225	*Property Taxes Receivable (Net)*	101,540
1240	*Due from Other Governments*	431,218
1267	*Due from Fiduciary*	25,357
	Capital Assets:	
1510	*Land*	52,019
1520	*Buildings and Improvements, Net*	7,408,554
1530	*Furniture and Equipment, Net*	960,640
1580	*Construction in Progress*	300,024
1000	Total Assets	26,832,689
	DEFERRED OUTFLOWS OF RESOURCES:	
	Deferred Outflow Related to Pensions	436,826
	Deferred Outflow Related to OPEB	808,616
1700	Total Deferred Outflows of Resources	1,245,442
	LIABILITIES:	
2110	*Accounts Payable*	302,574
2165	*Accrued Liabilities*	243,495
	Noncurrent Liabilities:	
2501	*Due Within One Year*	321,517
2502	*Due in More Than One Year*	18,595,800
2540	*Net Pension Liability*	1,416,389
2545	*Net OPEB Liability*	1,051,472
2000	Total Liabilities	21,931,247
	DEFERRED INFLOWS OF RESOURCES:	
	Deferred Inflow Related to Pensions	131,037
	Deferred Inflow Related to OPEB	1,272,474
2600	Total Deferred Inflows of Resources	1,403,511
	NET POSITION:	
3200	Net Investment in Capital Assets	5,929,393
	Restricted For:	
3820	Federal and State Programs	129,008
3850	Debt Service	499,961
3860	Capital Projects	14,568,077
3870	Campus Activities	13,050
3900	Unrestricted	(16,396,116)
3000	Total Net Position	$ 4,743,373

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues: Charges for Services	4 Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
	Governmental Activities:				
11	*Instruction*	$ 3,734,616	$ --	$ 423,724	$ (3,310,892)
12	*Instructional Resources and Media Services*	40,424	--	1,643	(38,781)
13	*Curriculum and Staff Development*	33,401	--	1,351	(32,050)
23	*School Leadership*	322,894	--	13,883	(309,011)
31	*Guidance, Counseling, and Evaluation Services*	180,426	--	7,525	(172,901)
33	*Health Services*	51,396	--	2,199	(49,197)
34	*Student Transportation*	260,431	--	9,962	(250,469)
35	*Food Service*	489,875	34,454	471,966	16,545
36	*Cocurricular/Extracurricular Activities*	455,804	20,216	32,056	(403,532)
41	*General Administration*	557,989	--	23,580	(534,409)
51	*Facilities Maintenance and Operations*	956,857	--	39,689	(917,168)
52	*Security and Monitoring Services*	148,997	--	102,687	(46,310)
53	*Data Processing Services*	20,830	--	848	(19,982)
72	*Interest on Long-term Debt*	102,848	--	16,611	(86,237)
73	*Bond Issuance Costs and Fees*	261,218	--	--	(261,218)
93	*Payments Related to Shared Services Arrangements*	10,623	--	450	(10,173)
TG	Total Governmental Activities	7,628,629	54,670	1,148,174	(6,425,785)
TP	Total Primary Government	$ 7,628,629	$ 54,670	$ 1,148,174	(6,425,785)
	General Revenues:				
MT	*Property Taxes, Levied for General Purposes*				1,699,252
DT	*Property Taxes, Levied for Debt Service*				521,824
IE	*Investment Earnings*				166,493
SF	*State Aid-Formula Grants*				3,750,518
MI	*Miscellaneous*				20,957
TR	Total General Revenues				6,159,044
CN	Change in Net Position				(266,741)
NB	Net Position - Beginning				5,010,114
NE	Net Position - Ending				$ 4,743,373

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes		10 General Fund	60 Capital Projects Fund	onmf Other Governmental Funds	98 Total Governmental Funds
	ASSETS:				
1110	*Cash and Cash Equivalents*	$ 2,134,178	$ 14,818,156	$ 595,041	$ 17,547,375
1225	*Taxes Receivable, Net*	77,465	--	24,075	101,540
1240	*Due from Other Governments*	373,536	--	57,682	431,218
1260	*Due from Other Funds*	13,956	--	11,401	25,357
1000	Total Assets	2,599,135	14,818,156	688,199	18,105,490
	LIABILITIES:				
	Current Liabilities:				
2110	*Accounts Payable*	$ 47,912	$ 250,079	$ 4,583	$ 302,574
2160	*Accrued Wages Payable*	229,961	--	13,534	243,495
2000	Total Liabilities	277,873	250,079	18,117	546,069
	DEFERRED INFLOWS OF RESOURCES:				
	Deferred Revenue	77,465	--	24,075	101,540
2600	Total Deferred Inflows of Resources	77,465	--	24,075	101,540
	FUND BALANCES:				
	Restricted Fund Balances:				
3450	*Federal/State Funds Grant Restrictions*	--	--	133,266	133,266
3480	*Retirement of Long-Term Debt*	--	--	499,691	499,691
3490	*Other Restrictions of Fund Balance*	--	--	13,050	13,050
	Committed Fund Balances:				
3510	*Construction*	--	14,568,077	--	14,568,077
3600	Unassigned	2,243,797	--	--	2,243,797
3000	Total Fund Balances	2,243,797	14,568,077	646,007	17,457,881
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	$ 2,599,135	$ 14,818,156	$ 688,199	$ 18,105,490

The accompanying notes are an integral part of this statement.

AGUA DULCE 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	$	17,457,881
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.		8,721,238
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		101,540
The assets and liabilities of internal service funds are included in governmental activities in the SNP.		5,962
Payables for bond principal which are not due in the current period are not reported in the funds.		(17,845,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.		(155,886)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(916,431)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(1,416,389)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(131,037)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		436,826
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.		(1,051,472)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.		(1,272,474)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.		808,616
Rounding difference		(1)
Net position of governmental activities - Statement of Net Position	$	4,743,373

The accompanying notes are an integral part of this statement.

AGUA DULCE 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	60 Capital Projects Fund	onmf Other Governmental Funds	98 Total Governmental Funds
	REVENUES:				
5700	*Local and Intermediate Sources*	$ 1,840,483	$ 34,290	$ 587,068	$ 2,461,841
5800	*State Program Revenues*	4,182,753	--	279,586	4,462,339
5900	*Federal Program Revenues*	--	--	612,261	612,261
5020	Total Revenues	6,023,236	34,290	1,478,915	7,536,441
	EXPENDITURES:				
	Current:				
0011	*Instruction*	3,166,945	96,137	282,868	3,545,950
0012	*Instructional Resources and Media Services*	38,154	--	--	38,154
0013	*Curriculum and Staff Development*	31,525	--	--	31,525
0023	*School Leadership*	322,078	--	--	322,078
0031	*Guidance, Counseling, and Evaluation Services*	174,730	--	5,198	179,928
0033	*Health Services*	51,267	--	--	51,267
0034	*Student Transportation*	230,822	205,858	--	436,680
0035	*Food Service*	--	--	470,650	470,650
0036	*Cocurricular/Extracurricular Activities*	442,909	--	--	442,909
0041	*General Administration*	546,846	--	--	546,846
0051	*Facilities Maintenance and Operations*	931,971	7,495	--	939,466
0052	*Security and Monitoring Services*	68,186	--	75,445	143,631
0053	*Data Processing Services*	19,660	--	--	19,660
0071	*Principal on Long-term Debt*	--	--	385,000	385,000
0072	*Interest on Long-term Debt*	--	--	140,830	140,830
0073	*Bond Issuance Costs and Fees*	--	260,568	650	261,218
0081	*Capital Outlay*	181,331	156,723	39,759	377,813
0093	*Payments to Shared Service Arrangements*	10,623	--	--	10,623
6030	Total Expenditures	6,217,047	726,781	1,400,400	8,344,228
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(193,811)	(692,491)	78,515	(807,787)
	Other Financing Sources and (Uses):				
7911	*Capital-Related Debt Issued (Regular Bonds)*	--	14,815,000	--	14,815,000
7916	*Premium or Discount on Issuance of Bonds*	--	445,568	--	445,568
7080	Total Other Financing Sources and (Uses)	--	15,260,568	--	15,260,568
1200	Net Change in Fund Balances	(193,811)	14,568,077	78,515	14,452,781
0100	Fund Balances - Beginning	2,437,608	--	567,492	3,005,100
3000	Fund Balances - Ending	$ 2,243,797	$ 14,568,077	$ 646,007	$ 17,457,881

The accompanying notes are an integral part of this statement.

AGUA DULCE 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	$	14,452,781
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		602,966
The depreciation of capital assets used in governmental activities is not reported in the funds.		(423,314)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		1,355
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		385,000
The net revenue (expense) of internal service funds is reported with governmental activities.		5,962
Special termination benefits are reported as the amount earned in the SOA but as the amount paid in the funds		(120,686)
Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA.		(14,815,000)
Bond premiums are reported in the funds but not in the SOA.		(407,586)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.		(94,074)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.		145,855
Rounding difference		1
Change in net position of governmental activities - Statement of Activities	$	(266,741)

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
AUGUST 31, 2025

Data Control Codes		Nonmajor Internal Service Fund Insurance Fund
	ASSETS:	
	Current Assets:	
1110	*Cash and Cash Equivalents*	$ 5,962
	Total Current Assets	5,962
1000	Total Assets	5,962
	LIABILITIES:	
2000	Total Liabilities	--
	NET POSITION:	
3900	*Unrestricted*	$ 5,962
3000	Total Net Position	$ 5,962

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

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

Data Control Codes		Nonmajor Internal Service Fund Insurance Fund
	OPERATING REVENUES:	
5700	*Local and Intermediate Sources*	$ 14,937
5020	Total Revenues	14,937
	OPERATING EXPENSES:	
6200	*Professional and Contracted Services*	8,975
6030	Total Expenses	8,975
1300	Change in Net Position	5,962
0100	Total Net Position - Beginning	--
3300	Total Net Position - Ending	$ 5,962

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

	Internal Service Funds
Cash Flows from Operating Activities:	
Cash Received from Customers	$ --
Cash Received from Grants	--
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	14,937
Cash Payments to Employees for Services	--
Cash Payments to Other Suppliers for Goods and Services	(8,975)
Cash Payments for Grants to Other Organizations	--
Other Operating Cash Receipts (Payments)	--
Net Cash Provided (Used) by Operating Activities	5,962
Cash Flows from Non-capital Financing Activities:	
Transfers From (To) Other Funds	--
Net Cash Provided (Used) by Non-capital Financing Activities	--
Cash Flows from Capital and Related Financing Activities:	
Contributed Capital	--
Net Cash Provided (Used) for Capital and Related Financing Activities	--
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	--
Net Cash Provided (Used) for Investing Activities	--
Net Increase (Decrease) in Cash and Cash Equivalents	5,962
Cash and Cash Equivalents at Beginning of Year	--
Cash and Cash Equivalents at End of Year	$ 5,962
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	$ 5,962
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	--
Provision for Uncollectible Accounts	--
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	--
Increase (Decrease) in Accounts Payable	--
Increase (Decrease) in Interfund Payables	--
Increase (Decrease) in Accrued Expenses	--
Increase (Decrease) in Unearned Revenue	--
Total Adjustments	--
Net Cash Provided (Used) by Operating Activities	$ 5,962

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2025

Data Control Codes		Private-purpose Trust Fund	Custodial Fund
		Scholarship Fund	Student Activity
	ASSETS:		
1110	*Cash and Cash Equivalents*	$ --	$ 58,779
1800	*Restricted Assets*	15,157	--
1000	Total Assets	15,157	58,779
	LIABILITIES:		
	Current Liabilities:		
2170	*Due to Other Funds*	$ --	$ 25,356
2000	Total Liabilities	--	25,356
	NET POSITION:		
3800	*Held in Trust*	15,157	--
3800	*Restricted for Other Purposes*	--	33,423
3000	Total Net Position	$ 15,157	$ 33,423

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

	Private Purpose Trusts	Custodial Funds
ADDITIONS:		
Investment Income	$ 224	$ --
Contributions from Foundations, Gifts and Bequests	--	--
Student Group Fundraising Activities	--	174,777
Total Additions	224	174,777
DEDUCTIONS:		
Benefits	--	--
Refunds of Contributions	--	--
Other Operating Expenses	--	160,911
Total Deductions	--	160,911
Change in Fiduciary Net Position	224	13,866
Net Position-Beginning of the Year	14,933	19,557
Prior Period Adjustment	--	--
Net Position-End of the Year	$ 15,157	$ 33,423

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

The basic financial statements of Agua Dulce 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.

Capital Projects 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.

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

Custodial Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of 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. Compensated Absences

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

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

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

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

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

In addition, under legacy provisions of District policy, 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. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

	General Fund	Debt Service Fund	Total
Delinquent Taxes	$ 428,934	$ 133,308	$ 562,242
Allowance for Uncollectible Accounts	(351,469)	(109,233)	(460,702)
Net Taxes	$ 77,465	$ 24,075	$ 101,540

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

c. Inventories and Prepaid Items

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

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

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
Buildings	30-75
Building Improvements	30
Vehicles	5-15
Furniture and Equipment	5-20

e. Leases (GASB 87)

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

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

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

g. Deferred Outflows and Inflows of Resources

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

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

h. Receivable and Payable Balances

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

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

i. Interfund Activity

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

j. Use of Estimates

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

k. Data Control Codes

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

l. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

m. Net Position Flow Assumption

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

n. Fund Balance Flow Assumptions

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

5. Pensions

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

6. Other Post-Employment Benefits

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

7. Implementation of New Standards

In the current fiscal year, the District did not implement any new standards from the Governmental Accounting Standards Board (GASB).

GASB Statement No. 101, *Compensated Absences*

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

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

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

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:

Violation	Action Taken
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:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

1. Cash Deposits:

At 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 $1,970,686 and the bank balance was $2,682,689. 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 investment at August 31, 2025 is shown below and is included with Cash and Cash Equivalents:

Investment or Investment Type	Maturity	Fair Value
Lonestar Pool	N/A	$ 17,025,228
Total Investments		$ 17,025,228

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

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.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 52,019	$ --	$ --	$ 52,019
Construction in progress	--	300,024	--	300,024
Total capital assets not being depreciated	52,019	300,024	--	352,043
Capital assets being depreciated:				
Buildings and improvements	12,454,445	65,969	--	12,520,414
Equipment	937,812	31,115	--	968,927
Vehicles	757,437	205,858	--	963,295
Total capital assets being depreciated	14,149,694	302,942	--	14,452,636
Less accumulated depreciation for:				
Buildings and improvements	(4,792,045)	(319,814)	--	(5,111,859)
Equipment	(463,540)	(72,975)	--	(536,515)
Vehicles	(404,543)	(30,525)	--	(435,068)
Total accumulated depreciation	(5,660,128)	(423,314)	--	(6,083,442)
Total capital assets being depreciated, net	8,489,566	(120,372)	--	8,369,194
Governmental activities capital assets, net	$ 8,541,585	$ 179,652	$ --	$ 8,721,237

Depreciation was charged to functions as follows:

Instruction	$	209,754
Instructional Resources and Media Services		2,270
Curriculum and Staff Development		1,876
School Leadership		18,135
Guidance, Counseling, & Evaluation Services		10,134
Health Services		2,887
Student Transportation		30,525
Food Services		27,514
Extracurricular Activities		25,600
General Administration		31,339
Plant Maintenance and Operations		53,742
Security and Monitoring Services		8,368
Data Processing Services		1,170
	$	423,314

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	Trust and Custodial	$	13,956	Short-term loans
Other Governmental Funds	Trust and Custodial		11,401	Short-term loans
	Total	$	25,357	

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

NONE

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2025, are as follows:

Amounts

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
2025 Unlimted Tax School Building Bonds 5.0%		14,815,000	265,000	14,550,000	110,000
2016 Unlimted Tax School Building Bonds 4.0%	3,415,000		120,000	3,295,000	125,000
Total governmental activities	3,415,000	14,815,000	385,000	17,845,000	$ 235,000
Compensated Absences	35,200	120,686		155,886	86,517
Premium Payable	508,845	445,568	37,982	916,431	
Total Governmental	$ 3,959,045	$ 15,381,254	$ 422,982	$ 18,917,317	321,517
Current Portion				321,517	
Due in MOre Than One Year				18,595,800	
Pension Liability	$ 1,674,529	$	$ 258,140	$ 1,416,389	
OPEB Liability	$ 795,063	$ 256,409	$	$ 1,051,472	

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

Liability	Activity Type	Fund
Pension Liability	Governmental	General fund
OPEB Liability	Governmental	General fund

2. Debt Service Requirements

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

	Governmental Activities		
	Bonds		
Year Ending August 31,	Principal	Interest	Total
2026	$ 235,000	879,988	1,114,988
2027	260,000	869,488	1,129,488
2028	280,000	857,788	1,137,788
2029	305,000	845,137	1,150,137
2030	330,000	831,287	1,161,287
2031-2035	2,075,000	3,904,488	5,979,488
2036-2040	2,775,000	3,357,587	6,132,587
2041-2045	3,310,000	2,650,338	5,960,338
2046-2051	3,605,000	1,812,562	5,417,562
2052-2055	4,670,000	760,988	5,430,988
Totals	$ 17,845,000	$ 16,769,651	$ 34,614,651

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.

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.

Contribution Rates	2024	2025
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%

District's 2025 Employer Contributions	$	134,838
District's 2025 Member Contributions	$	270,195
2024 NECE On-Behalf Contributions (State)	$	189,477

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.

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%
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:	$ 2,262,333	$ 1,416,389	$ 715,465

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 $1,416,389 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	$ 1,416,389
State's proportionate share that is associated with District	2,053,828
Total	$ 3,470,217

The net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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 0.0023187502 percent which was an increase (decrease) of -0.0001190431 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 $474,379 and revenue of $245,467 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	$ 78,069	$ 11,058
Changes in Actuarial Assumptions	73,131	9,804
Difference Between Projected and Actual Investment Earnings	8,609	--
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	142,179	110,175
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability (to be calculated by employer)	134,838	--
Total	$ 436,826	$ 131,037

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	$ 30,092
2027	$ 173,583
2028	$ 25,789
2029	$ (56,186)
2030	$ (2,326)
Thereafter	$ --

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

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

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

4. Contributions

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

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

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

The contribution amounts for the District's fiscal year 2024 are as follows:

District's 2025 Employer Contributions	$	29,350
District's 2025 Member Contributions	$	21,288
2024 NECE On-Behalf Contributions (state)	$	39,429

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:

Demographic Assumptions	Economic Assumptions
Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	
Rates of Disability	

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

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

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the the age-adjusted claims costs.
Salary Increases	2.95% to 8.95%, including inflation
Election Rates	Normal Retirement - 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees - 30% are assumed to discontinue coverage at age 65.

Ad Hoc Post-Employment Benefit Changes	None

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

6. Discount Rate

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

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

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:	$ 1,249,198	$ 1,051,472	$ 891,706

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 $1,051,472. 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	$ 1,051,472
State's proportionate share that is associated with the District	$ 1,317,480
Total	$ 2,368,952

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 0.0034643121,
which was an increase (decrease) of -0.000127031% from its proportion measured as of August 31, 2023

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:	$ 856,268	$ 1,051,472	$ 1,305,842

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 $(171,248).

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	$ 201,532	$ 524,741
Changes in actuarial assumptions	134,576	343,083
Difference between projected and actual investment earnings		2,945
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	443,158	401,705
Contributions paid to TRS subsequent to the measurement date	29,350	
Total	$ 808,616	$ 1,272,474

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	$ (144,941)
2027	$ (97,318)
2028	$ (68,607)
2029	$ (55,533)
2030	$ (61,954)
Thereafter	$ (64,856)

For the year ended August 31, 2025, the District recognized OPEB expense of ($287,753) and revenue of ($171,248) 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 $21,556.

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 $481 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

Latest financial statements for the District are available for the year ended and 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.

L. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent
Shared Services Arrangement - Membership
|The District participates in a shared services arrangement ("SSA") with the Brush Country Co-Op.

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, school name, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

M. Subsequent Events

|Management has reviewed subsequent events and transactions that occurred after the balance sheet date through December 1, 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.

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.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
	REVENUES:				
5700	*Local and Intermediate Sources*	$ 1,687,479	$ 1,815,346	$ 1,840,483	$ 25,137
5800	*State Program Revenues*	3,785,000	4,242,579	4,182,753	(59,826)
5020	Total Revenues	5,472,479	6,057,925	6,023,236	(34,689)
	EXPENDITURES:				
	Current:				
	Instruction and Instructional Related Services:				
0011	*Instruction*	2,916,985	3,205,000	3,166,945	38,055
0012	*Instructional Resources and Media Services*	44,500	44,500	38,154	6,346
0013	*Curriculum and Instructional Staff Development*	32,700	35,400	31,525	3,875
	Total Instruction and Instr. Related Services	2,994,185	3,284,900	3,236,624	48,276
	Instructional and School Leadership:				
0023	*School Leadership*	293,100	330,800	322,078	8,722
	Total Instructional and School Leadership	293,100	330,800	322,078	8,722
	Student Support Services:				
0031	*Guidance, Counseling and Evaluation Services*	140,310	182,802	174,730	8,072
0033	*Health Services*	42,980	53,900	51,267	2,633
0034	*Student Transportation*	228,755	265,400	230,822	34,578
0036	*Extracurricular Activities*	437,491	451,035	442,909	8,126
	Total Student Support Services	849,536	953,137	899,728	53,409
	Administrative Support Services:				
0041	*General Administration*	431,516	580,000	546,846	33,154
	Total Administrative Support Services	431,516	580,000	546,846	33,154
	Support Services:				
0051	*Facilities Maintenance and Operations*	777,427	965,877	931,971	33,906
0052	*Security and Monitoring Services*	103,000	103,000	68,186	34,814
0053	*Data Processing Services*	14,600	25,000	19,660	5,340
	Total Support Services	895,027	1,093,877	1,019,817	74,060
	Capital Outlay:				
0081	*Facilities Acquisition and Construction*	172,500	202,500	181,331	21,169
	Total Capital Outlay	172,500	202,500	181,331	21,169
	Intergovernmental Charges:				
0093	*Payments to Fiscal Agent/Member Dist.-SSA*	10,000	11,000	10,623	377
	Total Intergovernmental Charges	10,000	11,000	10,623	377
6030	Total Expenditures	5,645,864	6,456,214	6,217,047	239,167
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(173,385)	(398,289)	(193,811)	204,478
1200	Net Change in Fund Balance	(173,385)	(398,289)	(193,811)	204,478
0100	Fund Balance - Beginning	2,437,608	2,437,608	2,437,608	--
3000	Fund Balance - Ending	$ 2,264,223	$ 2,039,319	$ 2,243,797	$ 204,478

EXHIBIT G-2

AGUA DULCE 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)	0.0023187502%	0.0024377933%	0.0026017244%	0.0019278256%	0.0019702487%	0.0020086451%	0.0018649070%	0.0019172419%	0.0019820265%	0.0019304000%
District's proportionate share of the net pension liability (asset)	$ 1,416,389	$ 1,674,529	$ 1,544,577	$ 490,949	$ 1,055,225	$ 1,044,157	$ 1,026,490	$ 613,031	$ 748,978	$ 682,371
State's proportionate share of the net pension liability (asset) associated with the District	2,053,828	2,479,955	2,150,433	1,027,486	2,346,250	1,911,511	2,069,275	1,365,997	1,701,210	1,790,499
Total	$ 3,470,217	$ 4,154,484	$ 3,695,010	$ 1,518,435	$ 3,401,475	$ 2,955,668	$ 3,095,765	$ 1,979,028	$ 2,450,188	$ 2,472,870
District's covered payroll	$ 3,111,403	$ 3,164,688	$ 3,104,033	$ 2,756,950	$ 2,904,737	$ 2,290,193	$ 2,540,426	$ 2,463,389	$ 2,425,753	$ 2,596,298
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	45.52%	52.91%	49.76%	17.81%	36.33%	45.59%	40.41%	24.89%	30.88%	26.28%
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.

AGUA DULCE 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	$ 134,838	$ 133,047	$ 128,729	$ 123,018	$ 83,009	$ 84,006	$ 70,234	$ 63,870	$ 59,821	$ 45,290
Contributions in relation to the contractually required contribution	(134,838)	(133,047)	(128,729)	(123,018)	(83,009)	(84,006)	(70,234)	(63,870)	(59,821)	(45,290)
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
District's covered payroll	$ 3,275,088	$ 3,111,403	$ 3,164,688	$ 3,104,033	$ 2,756,950	$ 2,904,737	$ 2,509,781	$ 2,540,426	$ 2,463,389	$ 2,622,765
Contributions as a percentage of covered payroll	4.12%	4.28%	4.07%	3.96%	3.01%	2.89%	2.80%	2.51%	2.43%	1.73%

EXHIBIT G-4

AGUA DULCE 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	0.3464312100%	0.0035913437%	0.0041317805%	0.0036552751%	0.0037058435%	0.0029262113%	0.0027760823%	0.0034391155%
District's proportionate share of the collective net OPEB liability	$ 1,051,472	$ 795,063	$ 989,314	$ 1,410,003	$ 1,408,758	$ 1,383,839	$ 1,386,123	$ 1,495,542
State proportionate share of the collective net OPEB liability associated with the District	$ 1,317,480	$ 959,365	$ 1,206,807	$ 1,889,090	$ 1,893,034	$ 1,838,815	$ 2,053,591	$ 2,000,499
Total	$ 2,368,952	$ 1,754,428	$ 2,196,121	$ 3,299,093	$ 3,301,792	$ 3,222,654	$ 3,439,714	$ 3,496,041
District's covered payroll	$ 3,111,403	$ 3,164,688	$ 3,104,033	$ 2,756,950	$ 2,904,737	$ 2,290,193	$ 2,540,426	$ 2,463,589
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	33.79%	25.12%	31.87%	51.14%	48.50%	60.42%	54.56%	60.71%
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.

EXHIBIT G-5

AGUA DULCE 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	$ 29,350	$ 32,537	$ 32,224	$ 35,006	$ 30,093	$ 29,237	$ 20,762	$ 19,191
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(29,350)	(32,537)	(32,224)	(35,006)	(30,093)	(29,237)	(20,762)	(19,191)
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
District's covered payroll	$ 3,275,088	$ 3,111,403	$ 3,164,688	$ 3,104,033	$ 2,756,950	$ 2,904,737	$ 2,509,781	$ 2,540,426
Contributions as a percentage of covered payroll	0.90%	1.05%	1.02%	1.13%	1.09%	1.01%	0.83%	0.76%

* 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.

AGUA DULCE 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.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes		Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
	ASSETS:			
1110	*Cash and Cash Equivalents*	$ 95,350	$ 499,691	$ 595,041
1225	*Taxes Receivable, Net*	--	24,075	24,075
1240	*Due from Other Governments*	57,682	--	57,682
1260	*Due from Other Funds*	11,401	--	11,401
1000	Total Assets	164,433	523,766	688,199
	LIABILITIES:			
	Current Liabilities:			
2110	*Accounts Payable*	$ 4,583	$ --	$ 4,583
2160	*Accrued Wages Payable*	13,534	--	13,534
2000	Total Liabilities	18,117	--	18,117
	DEFERRED INFLOWS OF RESOURCES:			
	Deferred Revenue	--	24,075	24,075
2600	Total Deferred Inflows of Resources	--	24,075	24,075
	FUND BALANCES:			
	Restricted Fund Balances:			
3450	*Federal/State Funds Grant Restrictions*	133,266	--	133,266
3480	*Retirement of Long-Term Debt*	--	499,691	499,691
3490	*Other Restrictions of Fund Balance*	13,050	--	13,050
3000	Total Fund Balances	146,316	499,691	646,007
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	$ 164,433	$ 523,766	$ 688,199

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

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

Data Control Codes		Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
	REVENUES:			
5700	*Local and Intermediate Sources*	$ 34,454	$ 552,614	$ 587,068
5800	*State Program Revenues*	262,975	16,611	279,586
5900	*Federal Program Revenues*	612,261	--	612,261
5020	Total Revenues	909,690	569,225	1,478,915
	EXPENDITURES:			
	Current:			
0011	*Instruction*	282,868	--	282,868
0031	*Guidance, Counseling, and Evaluation Services*	5,198	--	5,198
0035	*Food Service*	470,650	--	470,650
0052	*Security and Monitoring Services*	75,445	--	75,445
0071	*Principal on Long-term Debt*	--	385,000	385,000
0072	*Interest on Long-term Debt*	--	140,830	140,830
0073	*Bond Issuance Costs and Fees*	--	650	650
0081	*Capital Outlay*	39,759	--	39,759
6030	Total Expenditures	873,920	526,480	1,400,400
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	35,770	42,745	78,515
1200	Net Change in Fund Balances	35,770	42,745	78,515
0100	Fund Balances - Beginning	110,546	456,946	567,492
3000	Fund Balances - Ending	$ 146,316	$ 499,691	$ 646,007

The accompanying notes are an integral part of this statement.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2025

Data Control Codes		240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	289 Title IV, Part A, Subpart 1
	ASSETS:			
1110	*Cash and Cash Equivalents*	$ 122,634	$ (18,321)	$ (12,953)
1240	*Due from Other Governments*	21,210	18,321	12,953
1260	*Due from Other Funds*	--	--	--
1000	Total Assets	143,844	--	--
	LIABILITIES:			
	Current Liabilities:			
2110	*Accounts Payable*	$ 1,302	$ --	$ --
2160	*Accrued Wages Payable*	13,534	--	--
2000	Total Liabilities	14,836	--	--
	FUND BALANCES:			
	Restricted Fund Balances:			
3450	*Federal/State Funds Grant Restrictions*	129,008	--	--
3490	*Other Restrictions of Fund Balance*	--	--	--
3000	Total Fund Balances	129,008	--	--
4000	Total Liabilities and Fund Balances	$ 143,844	$ --	$ --

The accompanying notes are an integral part of this statement.

410 State Textbook Fund	429 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
$ 7,539	$ (5,198)	$ 1,649	$ 95,350
--	5,198	--	57,682
--	--	11,401	11,401
7,539	--	13,050	164,433
$ 3,281	$ --	$ --	$ 4,583
--	--	--	13,534
3,281	--	--	18,117
4,258	--	--	133,266
--	--	13,050	13,050
4,258	--	13,050	146,316
$ 7,539	$ --	$ 13,050	$ 164,433

AGUA DULCE 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	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School
	REVENUES:				
5700	*Local and Intermediate Sources*	$ --	$ 34,454	$ --	$ --
5800	*State Program Revenues*	--	69,844	--	--
5900	*Federal Program Revenues*	155,445	402,122	18,321	23,420
5020	Total Revenues	155,445	506,420	18,321	23,420
	EXPENDITURES:				
	Current:				
0011	*Instruction*	155,445	--	18,321	23,420
0031	*Guidance, Counseling, and Evaluation Services*	--	--	--	--
0035	*Food Service*	--	470,650	--	--
0052	*Security and Monitoring Services*	--	--	--	--
0081	*Capital Outlay*	--	--	--	--
6030	Total Expenditures	155,445	470,650	18,321	23,420
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	35,770	--	--
1200	Net Change in Fund Balances	--	35,770	--	--
0100	Fund Balances - Beginning	--	93,238	--	--
3000	Fund Balances - Ending	$ --	$ 129,008	$ --	$ --

The accompanying notes are an integral part of this statement.

2	289 Title IV, Part A, Subpart 1	410 State Textbook Fund	429 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
	$ --	$ --	$ --	$ --	$ 34,454
	--	8,621	184,510	--	262,975
	12,953	--	--	--	612,261
	12,953	8,621	184,510	--	909,690
	12,953	8,621	64,108	--	282,868
	--	--	5,198	--	5,198
	--	--	--	--	470,650
	--	--	75,445	--	75,445
	--	--	39,759	--	39,759
	12,953	8,621	184,510	--	873,920
	--	--	--	--	35,770
	--	--	--	--	35,770
	--	4,258	--	13,050	110,546
	$ --	$ 4,258	$ --	$ 13,050	$ 146,316

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.

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

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

Year Ended August 31	1 Tax Rates Maintenance	2 Tax Rates Debt Service	3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/24
2016 and Prior Years	$ Various	$ Various	$ Various	$ 153,036
2017	1.17	.3396	136,151,511	36,083
2018	1.17	.3465	135,650,534	38,000
2019	1.17	.3465	139,376,946	36,281
2020	1.0684	.2862	166,004,857	35,477
2021	.9669	.2374	188,384,978	39,173
2022	.9669	.2374	185,758,335	38,612
2023	.9429	.2335	213,967,917	53,169
2024	.7576	.2334	238,751,306	75,642
2025 (School Year Under Audit)	.7575	.2335	239,655,784	--
1000 Totals				$ 505,471

8000 - Total Taxes Refunded under Section 26.1115, Tax Code

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

20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/25	99 Total Taxes Refunded Under Sect. 26.1115(c)
$ --	$ 3,789	$ 688	$ (1,622)	$ 146,937	
--	1,132	328	--	34,623	
--	1,223	362	--	36,415	
--	1,043	309	--	34,928	
--	1,062	285	--	34,130	
--	599	147	--	38,426	
--	1,366	335	891	37,802	
--	3,477	861	645	49,476	
--	3,435	1,058	(6,155)	64,994	
2,285,383	1,663,101	512,652	(25,119)	84,511	
$ 2,285,383	$ 1,680,226	$ 517,026	$ (31,360)	$ 562,241	
					$ --
	$ --				

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
AS OF AUGUST 31, 2025

Data Control Codes		Responses	
	Section A: Compensatory Education Programs		
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.	$	464,079
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30)	$	366,061
	Section B: Bilingual Education Programs		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?		Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?		Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	$	2,934
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25)	$	79,068

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

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

Data Control Codes		1 Budget	2 Actual	3 Variance Positive (Negative)
	REVENUES:			
5700	*Local and Intermediate Sources*	$ 30,000	$ 34,454	$ 4,454
5800	*State Program Revenues*	104,000	69,844	(34,156)
5900	*Federal Program Revenues*	275,250	402,122	126,872
5020	Total Revenues	409,250	506,420	97,170
	EXPENDITURES:			
	Current:			
	Student Support Services:			
0035	*Food Services*	470,000	470,650	(650)
	Total Student Support Services	470,000	470,650	(650)
	Support Services:			
0051	*Facilities Maintenance and Operations*	750	--	750
	Total Support Services	750	--	750
6030	Total Expenditures	470,750	470,650	100
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(61,500)	35,770	97,270
1200	Net Change in Fund Balance	(61,500)	35,770	97,270
0100	Fund Balance - Beginning	93,238	93,238	--
3000	Fund Balance - Ending	$ 31,738	$ 129,008	$ 97,270

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		1 Budget	2 Actual	3 Variance Positive (Negative)
	REVENUES:			
5700	*Local and Intermediate Sources*	$ 539,800	$ 552,614	$ 12,814
5800	*State Program Revenues*	--	16,611	16,611
5020	Total Revenues	539,800	569,225	29,425
	EXPENDITURES:			
	Debt Service:			
0071	*Debt Service*	--	385,000	(385,000)
0072	*Interest on Long-Term Debt*	539,600	140,830	398,770
0073	*Bond Issuance Costs and Fees*	200	650	(450)
	Total Debt Service	539,800	526,480	13,320
6030	Total Expenditures	539,800	526,480	13,320
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	42,745	42,745
1200	Net Change in Fund Balance	--	42,745	42,745
0100	Fund Balance - Beginning	456,946	456,946	--
3000	Fund Balance - Ending	$ 456,946	$ 499,691	$ 42,745

GOWLAND, MORALES & SMITH, PLLC
Certified Public Accountants

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Corpus Christi, TX 78401
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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
Agua Dulce Independent School District
P.O. Box 250
Agua Dulce, Texas 78330-0250

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 Agua Dulce Independent School District, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise Agua Dulce Independent School District's basic financial statements, and have issued our report thereon dated December 1, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Agua Dulce 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 Agua Dulce Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Agua Dulce 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 Agua Dulce Independent School District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Agua Dulce Independent School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Agua Dulce Independent School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Agua Dulce Independent School District'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
December 1, 2025

AGUA DULCE 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?	____ Yes	X None Reported	
Noncompliance material to financial statements noted?	____ Yes	X No	

2. Federal Awards

A Single Audit was not required in the current year.

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2025

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

AGUA DULCE INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2025

NONE REQUIRED - N/A

AGUA DULCE 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?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered **to not have made** timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 daysfrom the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	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	$ --