

SANTA FE INDEPENDENT SCHOOL DISTRICT

Santa Fe ISD, in partnership with our community, is an innovative district building a legacy of excellence.



ANNUAL FINANCIAL AND FINANCIAL COMPLIANCE REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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**SANTA FE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT**

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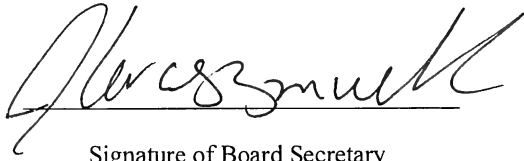
CERTIFICATE OF BOARD

Santa Fe Independent School District
Name of School District

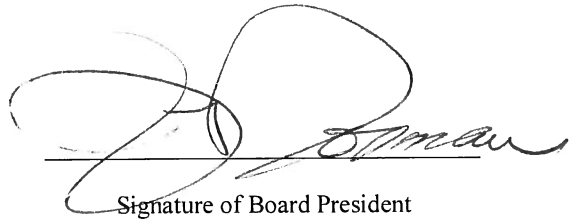
Galveston
County

084-909
County-District

We, the undersigned, certify that the attached annual financial & compliance reports of the above named school district were reviewed and X approved disapproved for the year ended June 30, 2025, at a meeting of the Board of Trustees of such school district on the 15th day of December, 2025.

A handwritten signature in cursive script, appearing to read "Alexis Smith", written over a horizontal line.

Signature of Board Secretary

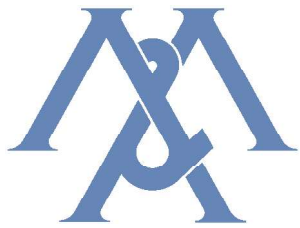
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Signature of Board President

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FINANCIAL SECTION

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MAYS & ASSOCIATES^{PLLC}

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
SANTA FE INDEPENDENT SCHOOL DISTRICT
Santa Fe, Texas

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the 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 the District, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 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, budgetary comparison information, and TRS pension and OPEB schedules on pages 9-16 and 61-71 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


Mays & Associates, PLLC

Baytown, Texas
December 15, 2025

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SANTA FE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Santa Fe Independent School District (the District), we provide this narrative overview of the District's financial performance for the year ended June 30, 2025. We encourage readers to consider the information presented below in conjunction with the information included in the independent auditors' report and the District's Basic Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$4,794,731 (*net position*).
- The District's governmental funds reported combined ending fund balances of \$24,889,804, an increase of \$1,743,807 in comparison with the prior year. The increase in governmental fund balances was due primarily to an increase in other financing sources.
- The unassigned fund balance for the general fund was \$12,990,669 or 27% of total general fund expenditures. Total general fund balance was \$15,193,049.
- The District's bonded debt decreased by \$7,200,000 as a result of regularly scheduled debt payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – Management's Discussion and Analysis, the basic financial statements, and the required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The Statement of Net Position (Exhibit A-1) and the Statement of Activities (Exhibit B-1) are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining Governmental Fund Financial Statements, Proprietary Fund Statements and Fiduciary Fund Financial Statements focus on individual parts of the government and they report the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general government services were funded in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about activities the government operates like businesses, such as the District's print shop. 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 to the Financial Statements that explain in narrative form some of the information in the financial statements and also 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.

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 deferred outflows of resources, and liabilities and deferred inflows of resources with the difference reported as net position. All of the current period's revenues and expenses are accounted for in the Statement of Activities regardless of when cash was received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position represents the difference between the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources and is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are indicators of whether its financial health is improving or deteriorating, respectively.

SANTA FE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's tax base and changes in student enrollment.

The government-wide financial statements of the District reflect the governmental activities which are principally supported by taxes and intergovernmental revenues. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and instructional staff development, health services, and general administration.

Fund Financial Statements

The fund financial statements (Exhibits C-1 through D-3) provide more detailed information about the District's most significant funds, but not the District as a whole. A fund is a group of accounts that the District uses to record specific sources of revenue and to track expenditures used 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 reports three types of funds:

1. 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 remaining 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 Exhibits C-2 and C-4 to explain the differences between them.
2. Proprietary Funds – Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. Proprietary funds, like government-wide statements, provide both long- and short-term financial information. The District reports one type of proprietary fund, the Internal Service Fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses an internal service fund to charge the costs of the District's print shop.
3. 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 separate statements (Exhibits D-1 & D-2). We excluded these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- *Restricted* – includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

SANTA FE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

- *Committed* – includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board.
- *Assigned* – includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed.
- *Unassigned* – includes the residual fund balance for amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the *general fund*.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information compares the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds.

In addition, information related to the District's proportionate share of its net pension liability, net OPEB liability, and contributions to the Teacher Retirement System of Texas is also presented.

Other Information

The other supplementary information is presented immediately following the required supplementary information and includes combining and individual nonmajor funds and schedules required by the Texas Education Agency.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$4,794,731 at the close of the most recent fiscal year.

A portion of the District's net position reflects its investment in capital assets (e.g. land, buildings and improvements, furniture and equipment, and accumulated depreciation), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The increase in Net Position of \$3,858,487 from prior year is primarily from the revenues exceeding expenses.

COMPARATIVE SCHEDULE OF NET POSITION			
	Governmental Activities		Change
	2025	2024	2025-2024
Current and other assets	\$ 32,474,123	\$ 31,423,751	\$ 1,050,372
Capital assets and non current assets	71,732,538	76,640,806	(4,908,268)
Total assets	104,206,661	108,064,557	(3,857,896)
Total deferred outflows of resources	10,535,619	13,371,735	(2,836,116)
Other liabilities	6,132,261	11,204,620	(5,072,359)
Long-term liabilities	101,278,804	104,854,548	(3,575,744)
Total liabilities	107,411,065	116,059,168	(8,648,103)
Total deferred inflows of resources	12,125,946	14,030,342	(1,904,396)
Net position:			
Net investment in capital assets	674,526	3,752,901	(3,078,375)
Restricted	8,382,149	8,981,910	(599,761)
Unrestricted	(13,851,406)	(21,388,029)	7,536,623
Total net position	\$ (4,794,731)	\$ (8,653,218)	\$ 3,858,487

Net position is restricted for various purposes as follows:

	Governmental Activities	
	2025	2024
Federal and state programs	\$ 209,069	\$ 521,628
Debt Services	8,171,193	8,458,395
Other purposes	1,887	1,887
	\$ 8,382,149	\$ 8,981,910

Unrestricted net position, which can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was (\$13,851,406) at June 30, 2025. Unrestricted net position continues to reflect a deficit balance. Although the District reports a deficit, the deficit is primarily due to reporting the District's proportionate share of the net pension and OPEB liabilities. The District's liability is reported in 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 pension and TRS-Care plans are funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION					
	Governmental Activities				Change
	2025	%	2024	%	2025-2024
Revenues					
Program revenues:					
Charges for services	\$ 3,081,418	5%	\$ 3,223,297	5%	\$ (141,879)
Operating grants & contributions	6,673,968	11%	9,072,019	15%	(2,398,051)
General revenues:					
Property taxes	25,238,347	40%	22,872,913	38%	2,365,434
State aid - formula grants	25,821,979	41%	22,981,665	38%	2,840,314
Grants and contributions not restricted	1,009,139	2%	679,904	1%	329,235
Investment earnings	886,232	1%	953,750	2%	(67,518)
Other	197,395	0%	475,569	1%	(278,174)
Total revenues	<u>62,908,478</u>	<u>100%</u>	<u>60,259,117</u>	<u>100%</u>	<u>2,649,361</u>
Expenses:					
Instruction and related services	29,767,020	50%	31,708,887	49%	(1,941,867)
Instructional and school leadership	3,386,574	6%	3,631,665	6%	(245,091)
Support services - student	10,943,480	19%	12,218,980	19%	(1,275,500)
General administration	2,182,880	4%	2,389,504	4%	(206,624)
Plant maintenance, security & data processing	9,109,554	15%	10,944,193	17%	(1,834,639)
Community services	375,591		309,267		66,324
Debt service	2,901,568	5%	2,948,999	5%	(47,431)
Shared service arrangements and other charges	383,324	1%	229,661	0%	153,663
Total expenses	<u>59,049,991</u>	<u>100%</u>	<u>64,381,156</u>	<u>100%</u>	<u>(5,331,165)</u>
Increase (decrease) in net position	3,858,487		(4,122,039)		7,980,526
Net position, beginning	(8,653,218)		(4,531,179)		(4,122,039)
Prior period adjustment	-		-		-
Net position, ending	<u>\$ (4,794,731)</u>		<u>\$ (8,653,218)</u>		<u>\$ 3,858,487</u>

Governments providing defined benefit pension plans and other post-employment benefits were required to recognize their long-term obligation for pension and OPEB benefits as a liability on their accrual-based, government-wide statement of net position. This provides citizens and other users of these financial reports with a clearer picture of the size and nature of the financial obligations to current and former employees. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

The implementation of these standards clearly depicts the government's financial position. While this information will, in some cases, give the appearance that a government is financially weaker than it was previously, the financial reality of the government's situation will not have changed. Reporting the net pension liability and net OPEB liability on the face of the financial statements will more clearly portray the government's financial status because the pension and OPEB liabilities will be placed on an equal footing with other long-term obligations.

At June 30, 2025, the District reported a net pension liability of \$15,368,902 for its proportionate share of TRS's net pension liability and a net OPEB liability of \$10,676,809 for its proportionate share of the District's Other Post-Employment benefits other than pensions. At June 30, 2024, the District's net pension liability and OPEB liability was \$18,950,545 and \$8,326,516, respectively.

Revenues are generated primarily from the following three sources: property taxes, state-aid formula grants, and operating grants and contributions. When combined, \$57,734,294, these revenues represent 92 percent of total revenues. The remaining \$5,174,184 or 8 percent was generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expenses of the District were instruction, student support services (guidance, counseling, social work, health, transportation, and food services) and non-student services (facilities maintenance, security, and data processing services) which represented 94 percent of total expenses. The remaining functional expenses represent less than 6 percent each of the total expenditures.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

At June 30, 2025, the District's governmental funds reported combined ending fund balances of \$24,889,804, an increase of \$1,743,807 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$12,990,669 while total fund balance reached \$15,193,049. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. As of June 30, 2025, these were 27% and 32%, respectively. Unassigned fund balance experienced an increase of \$2,225,552 from the prior year, which was due primarily to District obtaining a loan. Overall, total general fund balance increased by \$2,277,966 during the current period.

The debt service fund has a total fund balance of \$8,598,579, all of which is reserved for the payment of debt service. The increase in the debt service fund balance of \$355,051 from prior year, was the result from additional revenues over regularly scheduled debt service requirements.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

	BUDGET		Actuals
	Original	Final	
Total revenues	\$ 43,469,881	\$ 44,669,881	\$ 47,670,113
Total expenditures	47,685,952	50,010,946	47,590,749
Other financing sources (uses)	-	-	2,198,602
Net change in fund balance	\$ (4,216,071)	\$ (5,341,065)	\$ 2,277,966

The District adopted a \$4.2 million deficit budget for fiscal year 2025. With updated information, the District amended its budget to reflect an increase in the deficit to \$5.3 million. Actual revenues for the general fund were greater than budgetary estimates by approximately \$3 million, which was related to increases in state revenues. Actual expenditures fell below budgetary estimates by approximately \$2.4 million. Overall, the general fund exceeded its final budget estimate by approximately \$2.3 million when factoring the proceeds of recent debt issued.

SANTA FE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2025 includes land, buildings and improvements, and furniture and equipment. The investment in capital assets (capital outlays) decreased during the current year by \$4,908,268.

The following table summarizes the investment in capital assets as of June 30, 2025 and June 30, 2024.

	2025	2024
Land	\$ 1,653,043	\$ 1,653,043
Buildings and improvements	138,774,224	138,577,219
Furniture and equipment	23,484,692	23,335,493
	163,911,959	163,565,755
Accumulated depreciation	(92,179,421)	(86,924,949)
Net capital assets	\$ 71,732,538	\$ 76,640,806

Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-Term Liabilities

As of June 30, 2025, the District had \$56,550,000 in bonded debt outstanding, a decrease of \$7,200,000 from the previous year. The District's Series 2015 Bonds carry a rating of "AAA" from Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P") based on the Permanent School Fund Guarantee. The District's Series 2010, and Series 2016 Bonds carry a rating of "AAA" from S&P based on the Permanent School Fund Guarantee. All of the District's outstanding bonds have an underlying rating of "A1" and "AA-", respectively, from Moody's and S&P.

Changes in long term liabilities for the year ended June 30, 2025 are as follows:

	Outstanding 7/1/2024	Additions	Reductions	Outstanding 6/30/2025
General obligation bonds	\$ 63,750,000	\$ -	\$ (7,200,000)	\$ 56,550,000
Deferred bond components	6,110,410	-	(549,959)	5,560,451
Maintenance tax notes	11,700,000		(1,010,000)	10,690,000
Line of Credit	-	2,200,000	-	2,200,000
Compensated absences	202,077	30,565	-	232,642
	\$ 81,762,487	\$ 2,230,565	\$ (8,759,959)	\$ 75,233,093

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Indicators, both financial and non-financial, that will impact the District in the immediate future are:

- Student enrollment has begun to see a slight increase. Residential development in the area and the introduction of open enrollment have contributed to a rise in the number of students joining the district. We have observed an increase of approximately 100 students, which will enhance funding both from the basic allotment and from additional programs in which these students participate. Attendance has also improved, as the District has implemented a new campaign and policy aligned with state standards. A stricter approach to truancy, now being pursued in court, has further increased student attendance.

SANTA FE INDEPENDENT SCHOOL DISTRICT MANAGEMENT’S DISCUSSION AND ANALYSIS

- The State of Texas recently passed legislation increasing the homestead exemption from \$100,000 to \$140,000. This additional exemption will reduce collections for the District and may potentially impact cash flows. However, the District has implemented new strategies and established additional reserves to withstand these changes. We will continue to monitor and identify new ways to maximize district resources.
- The District has faced rising insurance costs due to natural disasters, including wildfires and hurricanes affecting the Gulf Coast and Central Texas. These expenses have strained our resources. To help mitigate this, we utilized disaster funding for the 2025 tax year, which is expected to increase revenue and offset these rising costs. The current tax rate for maintenance and operations is \$0.752200, with a debt service rate of \$0.3492, resulting in a total rate of \$1.101400 per \$100 of valuation.

Hurricane Beryl damaged several buildings in the district, which are still undergoing renovation and repair. These costs are still being assessed, as ancillary expenses associated with the disaster continue to emerge.

- State legislation did not increase the basic allotment, placing the district in a unique situation where inflationary costs are rising while funding remains flat. However, there was some positive news from the state, which provided additional pay increases for teachers. These increases, however, have created additional inequality in pay for support staff. The district is reviewing ways to continue reducing costs in order to provide the best education possible, utilizing innovative and imaginative funding strategies.
- The District operates five campuses dedicated to providing quality instruction to our students.

These indicators were taken into account when adopting the 2025-2026 general fund, interest and sinking fund (debt service) budgets. The Santa Fe Independent School District general fund adopted budget for 2025-2026 is as follows:

General Fund Budget	Original
Budgeted Revenues	\$ 53,180,859
Budgeted Expenditures	<u>52,927,292</u>
Budget Surplus (Deficit)	<u><u>\$ 253,567</u></u>

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors of Santa Fe Independent School District with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District’s Business Department at Santa Fe Independent School District, 4133 Warpath Drive, Santa Fe, TX 77510. You may also view previous year’s financial reports on the District’s website at www.sfisd.org.

SANTA FE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 20,114,773
1220 Property Taxes - Delinquent	3,606,317
1230 Allowance for Uncollectible Taxes	(1,042,200)
1240 Due from Other Governments	8,988,795
1250 Accrued Interest	6,827
1290 Other Receivables, Net	8,668
1300 Inventories	35,012
1410 Prepayments	755,931
Capital Assets:	
1510 Land	1,653,043
1520 Buildings, Net	67,108,894
1530 Furniture and Equipment, Net	2,970,601
1000 Total Assets	<u>104,206,661</u>
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	1,742,439
1705 Deferred Outflow Related to TRS Pension	3,490,317
1706 Deferred Outflow Related to TRS OPEB	5,302,863
1700 Total Deferred Outflows of Resources	<u>10,535,619</u>
LIABILITIES	
2110 Accounts Payable	573,444
2140 Accrued Interest	1,112,059
2150 Payroll Deductions and Withholdings	23,330
2160 Accrued Wages Payable	4,341,520
2180 Due to Other Governments	558
2200 Accrued Expenses	49,478
2300 Unearned Revenue	31,872
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	4,840,000
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	70,393,093
2540 Net Pension Liability (District's Share)	15,368,902
2545 Net OPEB Liability (District's Share)	10,676,809
2000 Total Liabilities	<u>107,411,065</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	1,697,214
2606 Deferred Inflow Related to TRS OPEB	10,428,732
2600 Total Deferred Inflows of Resources	<u>12,125,946</u>
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	674,526
Restricted:	
3820 Restricted for Federal and State Programs	209,069
3850 Restricted for Debt Service	8,171,193
3890 Restricted for Other Purposes	1,887
3900 Unrestricted	(13,851,406)
3000 Total Net Position	<u>\$ (4,794,731)</u>

The notes to the financial statements are an integral part of this statement.

SANTA FE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for Services	Operating Grants and Contributions	
	Expenses			6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 27,712,015	\$ 362,430	\$ 2,111,180	\$ (25,238,405)
12 Instructional Resources and Media Services	426,612	-	9,430	(417,182)
13 Curriculum and Instructional Staff Development	1,628,393	-	524,096	(1,104,297)
21 Instructional Leadership	466,746	-	15,218	(451,528)
23 School Leadership	2,919,828	-	69,676	(2,850,152)
31 Guidance, Counseling, and Evaluation Services	1,300,190	-	209,913	(1,090,277)
32 Social Work Services	135,644	-	921	(134,723)
33 Health Services	438,887	-	9,138	(429,749)
34 Student (Pupil) Transportation	3,462,543	-	86,000	(3,376,543)
35 Food Services	3,173,633	1,278,938	1,403,598	(491,097)
36 Extracurricular Activities	2,432,583	1,398,664	22,597	(1,011,322)
41 General Administration	2,182,880	-	104,445	(2,078,435)
51 Facilities Maintenance and Operations	6,281,353	41,386	179,738	(6,060,229)
52 Security and Monitoring Services	1,500,329	-	233,196	(1,267,133)
53 Data Processing Services	1,327,872	-	33,178	(1,294,694)
61 Community Services	375,591	-	143,199	(232,392)
72 Debt Service - Interest on Long-Term Debt	2,889,099	-	1,325,353	(1,563,746)
73 Debt Service - Bond Issuance Cost and Fees	12,469	-	-	(12,469)
93 Payments Related to Shared Services Arrangements	383,324	-	193,092	(190,232)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 59,049,991	\$ 3,081,418	\$ 6,673,968	(49,294,605)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			17,229,460
DT	Property Taxes, Levied for Debt Service			8,008,887
SF	State Aid - Formula Grants			25,821,979
GC	Grants and Contributions not Restricted			1,009,139
IE	Investment Earnings			886,232
MI	Miscellaneous Local and Intermediate Revenue			197,395
TR	Total General Revenues			53,153,092
CN	Change in Net Position			3,858,487
NB	Net Position - Beginning			(8,653,218)
NE	Net Position - Ending			\$ (4,794,731)

The notes to the financial statements are an integral part of this statement.

SANTA FE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 9,901,633	\$ 8,613,724	\$ 1,599,416	\$ 20,114,773
1220 Property Taxes - Delinquent	2,643,344	962,973	-	3,606,317
1230 Allowance for Uncollectible Taxes	(763,900)	(278,300)	-	(1,042,200)
1240 Due from Other Governments	8,368,830	-	619,965	8,988,795
1250 Accrued Interest	6,827	-	-	6,827
1260 Due from Other Funds	682,530	-	-	682,530
1290 Other Receivables	-	-	8,668	8,668
1300 Inventories	-	-	35,012	35,012
1410 Prepayments	702,380	-	53,551	755,931
1000 Total Assets	<u>\$ 21,541,644</u>	<u>\$ 9,298,397</u>	<u>\$ 2,316,612</u>	<u>\$ 33,156,653</u>
LIABILITIES				
2110 Accounts Payable	\$ 346,676	\$ -	\$ 226,768	\$ 573,444
2150 Payroll Deductions and Withholdings Payable	21,924	-	1,406	23,330
2160 Accrued Wages Payable	4,051,073	-	290,447	4,341,520
2170 Due to Other Funds	-	-	682,530	682,530
2180 Due to Other Governments	-	-	558	558
2200 Accrued Expenditures	49,478	-	-	49,478
2300 Unearned Revenue	-	15,145	16,727	31,872
2000 Total Liabilities	<u>4,469,151</u>	<u>15,145</u>	<u>1,218,436</u>	<u>5,702,732</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	1,879,444	684,673	-	2,564,117
2600 Total Deferred Inflows of Resources	<u>1,879,444</u>	<u>684,673</u>	<u>-</u>	<u>2,564,117</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	35,012	35,012
3430 Prepaid Items	702,380	-	53,551	755,931
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	120,506	120,506
3480 Retirement of Long-Term Debt	-	8,598,579	-	8,598,579
3490 Other Restricted Fund Balance	-	-	1,887	1,887
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	887,220	887,220
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	1,500,000	-	-	1,500,000
3600 Unassigned Fund Balance	12,990,669	-	-	12,990,669
3000 Total Fund Balances	<u>15,193,049</u>	<u>8,598,579</u>	<u>1,098,176</u>	<u>24,889,804</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 21,541,644</u>	<u>\$ 9,298,397</u>	<u>\$ 2,316,612</u>	<u>\$ 33,156,653</u>

The notes to the financial statements are an integral part of this statement.

SANTA FE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2025

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 24,889,804
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets is \$163,911,959 and the accumulated depreciation is \$92,179,421. The effect of including the capital assets (net of depreciation) in the governmental activities is to increase net position. (See Note II.D.)	71,732,538
2 Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds. The effect of these long-term liabilities is a decrease to net position. (See Note II.E.)	(75,233,093)
3 Recognizing deferred revenue (property taxes) as revenue in the government-wide statements to convert from modified accrual basis of accounting to the accrual basis of accounting. The net effect is an increase to net position.	2,564,117
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$15,368,902, a deferred resource inflow related to TRS in the amount of \$1,697,214 and a deferred resource outflow related to TRS in the amount of \$3,490,317. The net effect of these pension related items is a decrease to net position. (See Note II.H.)	(13,575,799)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$10,676,809, a deferred resource inflow related to TRS OPEB in the amount of \$10,428,732 and a deferred resource outflow related to TRS OPEB in the amount of \$5,302,863. The net effect of these pension related items is a decrease to net position. (See Note II.I.)	(15,802,678)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include eliminating interfund transactions, recognizing the bond components associated with outstanding debt, and accrued interest. Deferred charges on refundings are not financial resources and therefore, are not reported in governmental funds. Deferred charges are amortized over the life of the debt. The net effect is an increase to net position.	630,380
29 Net Position of Governmental Activities	\$ (4,794,731)

The notes to the financial statements are an integral part of this statement.

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 18,378,218	\$ 8,349,465	\$ 2,646,352	\$ 29,374,035
5800 State Program Revenues	28,515,612	1,325,353	790,996	30,631,961
5900 Federal Program Revenues	776,283	-	3,392,192	4,168,475
5020 Total Revenues	47,670,113	9,674,818	6,829,540	64,174,471
EXPENDITURES:				
Current:				
0011 Instruction	24,560,029	-	1,564,030	26,124,059
0012 Instructional Resources and Media Services	406,553	-	-	406,553
0013 Curriculum and Instructional Staff Development	1,048,822	-	498,599	1,547,421
0021 Instructional Leadership	437,396	-	5,652	443,048
0023 School Leadership	2,774,636	-	-	2,774,636
0031 Guidance, Counseling, and Evaluation Services	1,054,197	-	183,973	1,238,170
0032 Social Work Services	128,749	-	-	128,749
0033 Health Services	417,715	-	-	417,715
0034 Student (Pupil) Transportation	3,333,732	-	-	3,333,732
0035 Food Services	151,315	-	2,953,958	3,105,273
0036 Extracurricular Activities	1,129,294	-	1,119,961	2,249,255
0041 General Administration	1,985,610	-	68,430	2,054,040
0051 Facilities Maintenance and Operations	5,885,170	-	80,177	5,965,347
0052 Security and Monitoring Services	1,212,526	-	202,230	1,414,756
0053 Data Processing Services	1,252,532	-	-	1,252,532
0061 Community Services	219,573	-	139,894	359,467
Debt Service:				
0071 Principal on Long-Term Liabilities	1,010,000	7,200,000	-	8,210,000
0072 Interest on Long-Term Liabilities	392,668	2,817,450	-	3,210,118
0073 Bond Issuance Cost and Fees	-	12,469	-	12,469
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	190,232	-	193,092	383,324
6030 Total Expenditures	47,590,749	10,029,919	7,009,996	64,630,664
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	79,364	(355,101)	(180,456)	(456,193)
OTHER FINANCING SOURCES (USES):				
7914 Non-Current Loans	2,200,000	-	-	2,200,000
7915 Transfers In	-	-	1,398	1,398
8911 Transfers Out (Use)	(1,398)	-	-	(1,398)
7080 Total Other Financing Sources (Uses)	2,198,602	-	1,398	2,200,000
1200 Net Change in Fund Balances	2,277,966	(355,101)	(179,058)	1,743,807
0100 Fund Balance - July 1 (Beginning)	12,915,083	8,953,680	1,277,234	23,145,997
3000 Fund Balance - June 30 (Ending)	\$ 15,193,049	\$ 8,598,579	\$ 1,098,176	\$ 24,889,804

The notes to the financial statements are an integral part of this statement.

SANTA FE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 1,743,807
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the current year capital outlays is an increase to net position. (See Note II.D.)	477,738
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. (See Note II.D.)	(5,266,785)
The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premiums when debt is first issued, whereas this amount is deferred and amortized in the statement of activities. The net effect is to increase net position. (See Note II.E.)	6,529,394
Changes in the District's proportionate share of the net pension liability, deferred outflows or resources, and deferred inflows of resources related to the Teacher Retirement System of Texas for the current year are not reported in governmental funds but are reported in the Statement of Activities. The net effect of all these changes is a decrease to net position.	(720,497)
Changes in the District's proportionate share of the net OPEB liability, deferred outflows or resources, and deferred inflows of resources related to the Texas Public Retired Employees Group Insurance Program (TRS-Care) for the current year are not reported in governmental funds but are reported in the Statement of Activities. The net effect of all these changes is an increase to net position.	1,255,084
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating inter-fund transactions, recognizing the net effect of retirement of capital assets, and recognizing the deferred charges associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(160,254)
Change in Net Position of Governmental Activities	<u><u>\$ 3,858,487</u></u>

The notes to the financial statements are an integral part of this statement.

SANTA FE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ -
Total Assets	-
LIABILITIES	
Current Liabilities:	
Accounts Payable	-
Total Liabilities	-
NET POSITION	
Unrestricted Net Position	-
Total Net Position	\$ -

The notes to the financial statements are an integral part of this statement.

SANTA FE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 104,730
Total Operating Revenues	104,730
OPERATING EXPENSES:	
Payroll Costs	23,882
Professional and Contracted Services	32,232
Supplies and Materials	48,616
Total Operating Expenses	104,730
Income Before Transfers	-
Transfers In	-
Change in Net Position	-
Total Net Position - July 1 (Beginning)	-
Total Net Position - June 30 (Ending)	\$ -

The notes to the financial statements are an integral part of this statement.

SANTA FE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

EXHIBIT D-3

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 104,730
Cash Payments for Other Operating Expenses	<u>(104,730)</u>
Net Cash Provided by Operating Activities	<u>-</u>
Net Increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	<u><u>\$ -</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used For) Operating Activities:</u>	
Operating Income (Loss)	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

SANTA FE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025

	Private Purpose Trust Fund	Total Custodial Funds
ASSETS		
Cash and Cash Equivalents	\$ 3,666	\$ 70,207
Other Receivables	<u>-</u>	<u>6</u>
Total Assets	<u>3,666</u>	<u>\$ 70,213</u>
LIABILITIES		
Accounts Payable	<u>-</u>	<u>106</u>
Total Liabilities	<u>-</u>	<u>106</u>
NET POSITION		
Restricted for Student Groups	-	61,574
Restricted for Scholarships	3,666	-
Restricted for Other Purposes	<u>-</u>	<u>8,533</u>
Total Net Position	<u>\$ 3,666</u>	<u>\$ 70,107</u>

The notes to the financial statements are an integral part of this statement.

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

	Private Purpose Trust Fund	Total Custodial Funds
ADDITIONS:		
Enterprising Services Revenue	\$ -	\$ 62,697
Total Additions	-	62,697
DEDUCTIONS:		
Other Deductions	-	61,429
Total Deductions	-	61,429
Change in Fiduciary Net Position	-	1,268
Total Net Position - July 1 (Beginning)	3,666	68,839
Total Net Position - June 30 (Ending)	\$ 3,666	\$ 70,107

The notes to the financial statements are an integral part of this statement.

SANTA FE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Santa Fe Independent School District (the “District”) have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) promulgated by the Governmental Accounting Standards Board (“GASB”) and other authoritative sources identified in *Statement on Auditing Standards No. 69*, as amended by *Statement on Auditing Standards No. 91 and 93* of the American Institute of Certified Public Accountants (“AICPA”); and it complies with the requirements of the appropriate version of Texas Education Agency’s (“TEA”) Financial Accountability System Resource Guide (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board of Trustees (the “Board”), a seven member group, has fiscal responsibility over all activities related to public elementary and secondary education within the jurisdiction of the District. The public elects the Board that corporately 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 Texas State Board of Education are reserved for the Board, and TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental “reporting entity” as defined by GASB Statement No. 61, “*The Financial Reporting Entity*”: *Omnibus - an amendment by GASB Statements No. 14 and 34*. There are no component units or entities for which the District is considered financially accountable included within the reporting entity.

B. Basis of Presentation

1. Government-Wide Financial Statements

The government-wide financial statements, which includes the statement of net position and the statement of activities, report on all of the non-fiduciary activities of the District’s primary government. These statements exclude the effects of interfund activities that do not involve services provided or used. In this context, the District’s governmental activities are typically funded by tax revenues and intergovernmental revenues. The District does not have business-type activities, which would normally depend significantly on fees and charges for financial support.

The statement of activities provides a comparison between direct expenses and program revenues for each program or function of the District’s governmental activities. *Direct expenses* are specifically associated with a program or function and are clearly attributable to that function. *Indirect costs* are allocated proportionally, based on the ratio of function’s expense to total expense. *Program revenues* are categorized as 1) Charges for services, goods, or privileges purchased by students, applicants, or users who directly benefit from a specific function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Revenues that are not classified as program revenues, such as taxes, are reported as *general revenues*.

2. Fund Financial Statements

The District presents separate financial statements for governmental, proprietary, and fiduciary funds. Fiduciary funds, though excluded from the government-wide financial statements, are still reported in separate fiduciary fund financial statements. During the fiscal year, the District segregates transactions related to specific functions or activities into separate funds to aid financial management and demonstrate legal compliance.

Fund financial statements are designed to present the District’s financial information at a more detailed level, with the focus on major funds. These major individual governmental funds are reported in separate columns to highlight their financial activity. All remaining nonmajor governmental funds are aggregated and presented in a single column for reporting purposes. Additionally, proprietary funds are reported separately, and fiduciary funds are presented in their own financial statements, even though they are not included in the government-wide statements.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

C. Fund Accounting

The District utilizes funds to manage and organize its financial records during the fiscal year. A fund is an accounting entity with its own set of self-balancing accounts, meaning it independently tracks its financial resources and obligations. There are three categories of funds: governmental, proprietary, and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources is reported as fund balance. The District reports the following major governmental funds:

- **General Fund** – is the District’s primary operating fund and accounts for resources that finance the fundamental operations of the District. It includes all financial resources not required to be accounted for in another fund. Major revenue sources for the General Fund include local property taxes and state funding, such as the Foundation School Program.

This fund covers all expenditures related to the District's daily operations, except for specific programs funded by federal or state government, as well as food service, debt service, and capital projects. It plays a central role in supporting the District’s mission, in partnership with the community, to enable and motivate students to reach their full potential. The General Fund is a budgeted fund, and any fund balances are considered resources available for current operations.

- **Debt Service Fund** – is the used to account for the accumulation of resources to pay the principal and interest on long-term debt issued by the District. These funds ensure that the District can meet its debt obligations as they come due. Major revenue sources for the Debt Service Fund include dedicated property taxes. Transfers from other funds or special assessments that set aside to pay off debt. . This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
- **Nonmajor Governmental Funds** - account for grants and other resources of the District whose uses are restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of the specified project periods. With respect to the food service and campus activity funds, funds are rolled over from year to year for use in the program.

2. Proprietary Fund

Proprietary funds are used to account for operations that are similar to private businesses, where goods or services are provided to external parties for a fee and distinguished between operating and non-operating revenues and expenses. The two main types of proprietary funds are *enterprise funds* and *internal service funds*.

The District uses internal service funds to account for specific services provided to other funds or departments on a cost reimbursement basis. The District uses the following *internal service fund*:

- **Print Shop Services Fund** – This fund is used to account for print shop services provided to the District’s schools and operating departments. It is designed to be self-supporting, meaning it should cover its costs through the charges for its services.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

3. Fiduciary Funds

Fiduciary Funds are used to manage resources that the Districts holds in a trust or as an agent for others, such as pension funds, scholarship donations, or various campus organization fundraising resources. Fiduciary funds are excluded from the government-wide financial statements because they do not belong to the government but are held in trust for others. The District uses the following fiduciary funds:

- ***Private Purpose Trust Fund*** – This fund accounts for donations to scholarship funds received by the District for awards to current and former students for post-secondary education purposes.
- ***Custodial Funds*** – These funds accounts for the resources raised by student groups and various other campus organizations received by the District in a custodial capacity that do not constitute District property. However, the District's role is considered to be substantive because in the absence of an approved policy, the faculty advisor has the ability to reject, modify, or approve how the resources are being spent.

The private purpose trust fund and custodial funds meet the requirements for reporting as fiduciary activities. The assets derived from these funds are not from the District's owned revenue sources. In addition, they do not meet the criteria for District-mandated or voluntary nonexchange transactions. Lastly, these assets are for the benefits of individuals, namely students or others, and the District does not have administrative involvement or direct financial involvement for these funds.

D. Measurement Focus and Basis of Accounting

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. All assets and deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of the District are included in the statement of net position. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recorded as revenues in the year of levy.

2. Fund Financial Statements

The fund financial statements are prepared using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. These statements reflect only current assets (such as cash and receivables expected to be collected within the year) and current liabilities (those expected to be settled within the fiscal year). Long-term assets and liabilities, such as capital assets and long-term debt, are not reported in these statements.

Revenues are recognized when they are both measurable (the amount can be determined) and available (expected to be collected within the current period or within 60 days after the fiscal year ends). Property tax revenue and state funding follow the susceptible-to-accrual concept, meaning they must be available and measurable to be recognized. Taxes not collected within 60 days are reported as deferred inflows of resources. Miscellaneous revenues, such as fees or minor revenues, are recorded when received because they are generally not measurable until collection. Interest revenue and building rentals are recognized when earned, as they are measurable and available.

State and Federal grants revenue is recognized when eligible expenditures are incurred. If funds are received before expenditures are made, they are recorded as unearned revenues. If expenditures are made before receiving grant funds, they are reported as receivables.

Expenditures are recognized when a liability is incurred, similar to accrual accounting. However, debt service payments (principal and interest), compensated absences, claims, and judgments are recorded only when payment is due, not when the liability is incurred.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

The government-wide financial statements (using the *accrual basis*) include all assets and liabilities, including long-term ones. In contrast, the fund financial statements (using *modified accrual*) exclude long-term items like capital assets and long-term debt. As a result, reconciliations are provided in the fund financial statements to explain these differences.

3. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Governmental fund financial statements use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

- ***Revenues-Exchange and Non-exchange Transactions***

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

On the modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized. Tax revenues are considered available when collected.

- **Unearned Revenues**

Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there is an enforceable legal claim as of January 1, but which were levied to current fiscal year operations, are recorded as deferred inflows of resources in the fund financial statements.

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue in both the government-wide and fund financial statements. In governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred inflows of resources.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

- **Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on the decrease in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

E. Assets, Liabilities, and Net Position or Fund Equity

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers cash on hand, demand deposits, investment pools, and short-term investments with maturities of three months or less from the date of acquisition to be cash and cash equivalents.

2. Deposits and Investments

Under Texas state law, a bank serving as the school depository must have a bond, or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, in an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

Investments consist of balances in privately managed public funds investment pools. Investments in local government investment pools are valued and recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*. Investments with maturities of 12 months or less at the date of purchase are held at amortized cost and net asset value (NAV). Investments with maturities exceeding 12 months at the date of purchase are stated at fair value based on quoted market prices at year-end date.

The District categorizes fair value measurements of its investments based on the hierarchy established by GAAP. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology are quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

3. Property Taxes

The District levies property taxes on October 1, as per the Texas Property Tax Code. Taxes are due upon receipt of the bill and become delinquent after February 1 of the following year, subject to interest and penalties. A tax lien is attached to properties on January 1 to secure payment.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of levy. A significant portion of delinquent taxes outstanding at any fiscal year end is generally not collected in the ensuing fiscal year.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting 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.

4. Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables arise from interfund transactions and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations. Interfund receivables and payables are eliminated in the government-wide financial statements as are transfers between funds.

5. Inventories

The District reports inventories of supplies using the first-in, first-out method of accounting. Inventories for supplies are carried at cost and charged to a respective fund expenditure account when consumed. Inventories of food commodities are recorded at fair values. Although commodities are received at no cost, their fair value is provided by the Texas Department of Agriculture and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized in an equal amount.

6. Prepayments (i.e., Deferred Expenditures/Expenses)

Certain payments to vendors reflect costs applicable to the next fiscal period and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are accounted for using the consumption method and are recognized as expenditures/expenses proportionately over the periods in which the services are provided.⁶

7. Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as those with an initial individual cost of more than \$5,000 and an estimated useful life of more than five years. Such assets are recorded at historical cost, or if unavailable, at estimated historical cost. Donated capital assets are recorded at estimated fair value on the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed, however interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over their estimated useful lives, which are as follows:

Capital Asset:	Years
Buildings	10-40
Land improvements	10-30
Furniture, fixtures & equipment	5-25
Buses & vehicles	5-20

8. Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the statement of net position and balance sheet as described below:

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

**SANTA FE INDEPENDENT SCHOOL DISTRICT
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The District has three items that qualify for reporting in this category:

- Deferred outflow of resources for refunding – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflow of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred outflow of resources for OPEB – Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan.

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

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflow of resources for pension – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.
- Deferred inflow of resources for OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life of all members.

9. Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term indebtedness is reported as a liability. Bond premiums and discounts, as well as defeasance costs, are deferred and amortized over the life of the bonds using the straight-line method in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium, discount, and other costs.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

In the fund financial statements, bond premiums (net of discounts) are recognized in the current period and recorded as other financing sources. Issuance costs are recognized in the current period as debt service expenditures. The face amount of the debt issued is reported as other financing sources; whereas, bonds refunded during the period are recorded as other financing uses.

10. Compensated Absences

Compensated absences are absences for which employees will be paid, such as sick leave and personal leave. In accordance with GASB Statement No. 101, a liability for compensated absences is accrued for leave that has been earned and not used and for which it is more likely than not that employees will be compensated through paid time off or other means.

Compensated absences that relate to future services or that are contingent upon the occurrence of a specific event that is outside the control of the District and its employees are recognized as expenditures in the period in which the leave is taken or the event occurs.

In the governmental funds, compensated absences are reported as expenditures and fund liabilities to the extent they are expected to be liquidated with expendable available financial resources. The remaining portion of the compensated absences liability is reported as a long-term liability in the Statement of Net Position.

Because District employees' contracts are based on the number of days worked, vacation benefits are not applicable for paraprofessional and professional employees. Manual trades employees are eligible for vacation; however, vacation days do not accumulate or vest and therefore do not result in a liability.

Upon retirement, eligible full-time employees of the District may be compensated for accumulated state personal leave days, provided the employee meets Teacher Retirement System (TRS) eligibility requirements and District policy provisions. Qualifying employees may be paid for up to 50 days of accumulated state personal leave at a rate established by the Board. The liability for accrued, vested amounts related to these benefits is reported in the Statement of Net Position

11. 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.

12. Other Post-Employment Benefits

The fiduciary net position of the 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.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

13. Fund Balance

Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. The government fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective government funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- ***Nonspendable*** – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. (Inventories and Prepaid Items are considered *Nonspendable* as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.)
- ***Restricted*** – includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- ***Committed*** – includes amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution or ordinance. A fund balance commitment is further indicated in the budget document as a commitment of the fund. The District has committed 100 percent of Fund 461 Campus Activity Funds' fund balance.
- ***Assigned*** – includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the Superintendent or Chief Financial Officer through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the *general fund*.
- ***Unassigned*** – includes the residual fund balance for amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the *general fund*. The *Unassigned* classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of *Assigned* fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

14. Net Position

Net Position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The classifications used in the government-wide financial statements are as follows:

- ***Net investment in capital assets*** – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

- ***Restricted net position*** – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.
- ***Unrestricted net position*** – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

The District’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

15. Budgetary Data

The Board adopts an “appropriated budget” for the General Fund, Debt Services Fund, and the Child Nutrition Program (which is included in the Nonmajor Governmental Funds). The District compares the final amended budget to actual revenues and expenditures. The Budgetary Comparison Schedules appear in Exhibits G-1, J-2, and J-3.

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

- a) Prior to June 30, the District prepares an operating budget for the next succeeding fiscal year beginning July 1. The 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. At least ten day’s public notice of the meeting must be given.
- c) Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level 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. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year end.
- d) Each budget 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.
- e) Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget.

16. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management’s estimates. Accordingly, actual results could differ from those estimates.

The amount of state foundation and available school revenue a school district earns for a year, can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is probable that the foundation revenue estimate as of June 30 will change and those changes could be material. For the year ended June 30, 2025, the District received approximately 48% of revenues from the State of Texas.

17. Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the FASRG. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

18. Implementation of New Accounting Standards

GASB issued Statement No. 101, “*Compensated Absences*”, which is effective for fiscal year ending June 30, 2025. The Statement requires governments to recognize a liability for compensated absences for leave that has not been used and leave that has been used but not paid. The liability is measured at the amount of the cash payment or noncash settlement to be made for the use of leave. The Statement did not have a material impact on the financial statements.

GASB issued Statement No. 102, “*Certain Risk Disclosures*”, requires governments to disclose information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal year ending June 30, 2025, and the District implemented the Statement. The Statement did not have a material impact on the financial statements.

II. DETAILED NOTES ON ALL FUNDS

A. Cash, Deposits and Investments

A summary of the District’s cash and investments by fund at June 30, 2025 is shown below:

	Cash and Deposits	Investment Pools	Total Cash & Cash Equivalents	Investments	Total Cash & Investments
Governmental Funds:					
General fund	\$ 3,438,396	\$ 6,463,237	\$ 9,901,633	\$ -	\$ 9,901,633
Debt service fund	1,228,226	7,385,498	8,613,724	-	8,613,724
Non-major governmental funds	929,958	669,458	1,599,416	-	1,599,416
Total governmental funds	5,596,580	14,518,193	20,114,773	-	20,114,773
Proprietary funds	-	-	-	-	-
Fiduciary funds	62,986	10,887	73,873	-	73,873
Total	\$ 5,659,566	\$ 14,529,080	\$ 20,188,646	\$ -	\$ 20,188,646

At June 30, 2025, the net carrying amount of the District’s cash and deposits was \$5,659,566 and the bank balance was \$6,228,646. At June 30, 2025, the District’s combined deposits were fully insured by FDIC insurance or collateralized with securities held by the Bank’s agent in the District’s name.

The Public Funds Investment Act (“the Act”) and Board policy governs the District’s investment policies. The Act contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District 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, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date of the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits.

Statutes authorize the District to invest in: (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending programs, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools and (9) guaranteed investment contracts.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

The District's cash equivalents and investments at June 30, 2025 are as shown below:

Investment Type:	Rating	Value at June 30, 2025	Fair Value Measurements Using:			Percent of Portfolio	WAM (Days/Years)
			(Level 1)	(Level 2)	(Level 3)		
Cash in Bank		\$ 5,659,566				28%	
<i>Cash equivalents measured at amortized costs:</i>							
First Public (LoneStar)	AAA/AAAm	13,781,981				68%	< 365 days
TexasCLASS	AAAm	747,099				4%	< 365 days
Cash and cash equivalents - subtotal		20,188,646					
Total cash & investments		\$ 20,188,646	\$ -	\$ -	\$ -	100%	

First Public - Lone Star Investment Pool ("LoneStar") and Texas Cooperative Liquid Assets Securities System ("TexasCLASS") are local government investment "pools" organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to:

1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in LoneStar and TexasCLASS are reported at amortized cost. Deposits and withdrawals can be made on any business day of the week. The pools have a redemption notice of one day, which may be redeemed daily. The pools may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or a national state of emergency that affects the pools liquidity. There are no limits on the number of accounts a participant can have or the number of transactions. The District has no unfunded commitments related to the pools.

The District's management believes that it has complied with the requirements of the Act and with local policies.

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

1) Credit Risk

The risk that an issuer or other counterparty to an investment will not fulfill its obligations, potentially leading to a loss. State law and the District's investment policy limit investments in all categories to top ratings issued by nationally recognized statistical rating organizations. The credit quality ratings for the District's investments were in compliance with the Act. As of June 30, 2025, the District was not significantly exposed to credit risk.

2) Custodial Credit Risk

Custodial credit risk refers to the risk that investments or deposits could be lost due to the failure of the custodian or a lack of security, particularly if the assets are uninsured or uncollateralized.

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 institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
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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. As of June 30, 2025, the District was not exposed to custodial credit risk.

3) Concentration of Credit Risk

The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer. As of June 30, 2025, the District was not exposed to concentration of credit risk.

4) Interest Rate Risk

The risk that changes in interest rates may adversely affect the fair value of investments. In order to minimize the risk of loss due to interest rate fluctuations, investment maturities are not to exceed the anticipated cash flow requirements of the funds. Maturity guidelines by fund are as follows:

- General Fund: Investment strategies for operating funds (including any commingled pools containing operating funds) shall have as their primary objective's safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.
- Capital Projects Fund: Investment strategies for capital project funds shall have as their objective sufficient investment liquidity to timely meet capital project obligations. Maturities longer than one year are authorized provided legal limits are not exceeded.
- Debt Service Fund: Investment strategies for debt service funds shall have as their objective sufficient investment liquidity to timely meet debt service payment obligations in accordance with provisions in the bond documents. Maturities longer than one year are authorized provided legal limits are not exceeded.

As of June 30, 2025, the District was not exposed to interest rate risk.

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NOTES TO THE FINANCIAL STATEMENTS**

B. Receivables and Unearned Revenue

Receivables as of June 30, 2025, for the District's individual major funds and nonmajor funds, in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Property taxes delinquent:				
Property taxes	\$ 1,610,528	\$ 652,721	\$ -	\$ 2,263,249
Property taxes - penalty & interest	1,032,816	310,252	-	1,343,068
Subtotal - property taxes receivables	2,643,344	962,973	-	3,606,317
Less: allowance for uncollectibles	(763,900)	(278,300)	-	(1,042,200)
Net property taxes receivables	\$ 1,879,444	\$ 684,673	\$ -	\$ 2,564,117
Due from other governments:				
Due from state	\$ 8,319,275	\$ -	\$ 112,127	\$ 8,431,402
Due from federal	5,928	-	440,232	446,160
Due from other	43,627	-	67,606	111,233
Net due from other governments	\$ 8,368,830	\$ -	\$ 619,965	\$ 8,988,795
Other receivables:				
Other receivables	\$ -	\$ -	\$ 8,668	\$ 8,668
Net other receivables	\$ -	\$ -	\$ 8,668	\$ 8,668
Interest	\$ 6,827	\$ -	\$ -	\$ 6,827
Net total receivables	\$ 10,255,101	\$ 684,673	\$ 628,633	\$ 11,568,407

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2025 are summarized above. All federal grants shown above are passed through the TEA and are reported in the financial statements as Due from Other Governments.

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned.

Unearned revenue at June 30, 2025, for the District's governmental funds is as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - General fund	\$ 1,879,444	\$ -
Delinquent property taxes receivable - Debt service fund	684,673	-
State allotments (Debt Service Fund)	-	15,145
Advance funding (Nonmajor Governmental Funds)	-	16,727
Total deferred revenue	\$ 2,564,117	\$ 31,872

Property Taxes

Property taxes are considered available when collected within the current period. The District levies taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and become past due, subject to interest and penalty, if not paid by February 1 of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property securing payment of all taxes, penalties, and interest ultimately imposed.

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The tax rates assessed for the year ended June 30, 2025 to finance general fund operations and voter approved debt service principal and interest payments were \$0.7791 and \$0.3623, respectively, per \$100 of assessed valuation for a total tax rate of \$1.1414.

The net assessed/appraised value for school tax purposes was \$2,191,147,626, upon which the current year's total levy value was \$25,009,759.

Current tax collections for the year ended June 30, 2025 were 96% of the year-end adjusted levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of levy. A significant portion of delinquent taxes outstanding at any fiscal year end is generally not collected in the ensuing fiscal year. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The property taxes receivable allowance is approximately 29% of outstanding property taxes receivable at June 30, 2025.

C. Interfund Receivables, Payables and Transfers

Interfund balances consist of short-term lending/borrowing arrangements between two or more governmental funds. Interfund balances in the fund financial statements at June 30, 2025 consisted of the following:

Fund	Receivable	Payable
General fund:		
Nonmajor governmental funds	\$ 682,530	\$ -
Nonmajor governmental funds:		
General fund	-	682,530
Total	\$ 682,530	\$ 682,530

District expenditures are paid from a centralized-pooled operating bank account maintained in the general fund. Since all cash transactions flow through this account, each District fund carries a receivable/payable balance with the general fund, which will be repaid within one year.

Interfund transfers in the fund financial statements at June 30, 2025 consisted of the following:

Transfers from	Transfers to	Amount
General fund	Nonmajor governmental funds	\$ 1,398
		\$ 1,398

The District transferred \$1,398 from the general fund to the child nutrition program to reimburse the fund for related expenditures.

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D. Capital Assets

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

	Beginning Balances	Additions	Deletions	Transfers	Ending Balances
<u>Capital assets not being depreciated:</u>					
Land purchase and improvements	\$ 1,653,043	\$ -	\$ -	\$ -	\$ 1,653,043
Total capital assets not being depreciated	1,653,043	-	-	-	1,653,043
<u>Capital assets being depreciated:</u>					
Buildings and improvements	138,577,219	197,005	-	-	138,774,224
Furniture and equipment	23,335,493	280,733	(131,534)	-	23,484,692
Total capital assets being depreciated	161,912,712	477,738	(131,534)	-	162,258,916
<u>Less accumulated depreciation for:</u>					
Buildings and Improvements	(67,355,220)	(4,310,110)	-	-	(71,665,330)
Furniture and Equipment	(19,569,729)	(956,675)	12,313	-	(20,514,091)
Total accumulated depreciation	(86,924,949)	(5,266,785)	12,313	-	(92,179,421)
Capital assets, net	\$ 76,640,806	\$ (4,789,047)	\$ (119,221)	\$ -	\$ 71,732,538

Depreciation expense was charged to the following functions as follows:

Expenditures:	
Instruction	\$ 2,605,138
Instructional resources and media services	40,542
Curriculum and instructional staff development	154,312
Instructional leadership	44,182
School leadership	276,692
Guidance, counseling and evaluation services	123,473
Social work services	12,839
Health services	41,655
Student (pupil) transportation	332,446
Food services	309,664
Extracurricular activities	224,300
General administration	204,833
Facilities maintenance and operations	594,875
Security and monitoring services	141,082
Data processing services	124,905
Community services	35,847
Total depreciation expense	\$ 5,266,785

E. Long-Term Liabilities

General Obligation Bonds

The District issues general obligation bonds for governmental activities to provide resources for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Principal and interest requirements are payable solely from future revenues of the debt service fund which consists primarily of property taxes collected by the District and interest earnings. Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indentures. The District has never defaulted on any principal or interest payment.

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By contrast, maintenance tax notes are issued to fund key repair and renovation needs, such as HVAC upgrades and roofing repairs, and are restricted to maintenance-related expenses. These notes are repaid via a dedicated property tax levy, following a fixed interest rate and structured repayment schedule. The District has never defaulted on any principal or interest payment.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the District is \$219,114,763. The District's outstanding debt of \$69,440,000 less the reserve for the retirement of the debt of \$8,598,579 totals \$60,841,421 leaving a legal debt margin of \$158,272,342.

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

In 2024, the District entered into two Maintenance Tax Notes, Series 2023 and 2024, sponsored by BOK Financial Securities, Inc. in the amount of \$5,045,000 and \$7,055,000. These Maintenance Tax Notes are to be used (i) for the repair, rehabilitation, renovation, replacement and equipment to existing school facilities (including improvements to HVAC and Building Automation System) and (ii) to pay costs of issuance. The loans are payable in annual installments of principal and interest and bears interest at 3.49% and 3.87%, respectively. The balance outstanding at June 30, 2025, is \$4,050,000 for the Series 2023 Tax Note and \$6,640,000 for the Series 2024 Tax Note.

On June 3, 2025, the District entered into a Commercial Line of Credit Agreement and Note with Texas First Bank to provide short-term financing to assist with end-of-year cash reserves and operating liquidity needs. The agreement provides for a maximum borrowing capacity of \$2,500,000 with a fixed interest rate of 5.50% per annum. Interest is calculated on an Actual/365-day basis. Under the terms of the agreement, the District is required to make monthly interest-only payments beginning July 3, 2025, with all outstanding principal and accrued interest due at maturity on December 3, 2026. The balance outstanding at June 30, 2025, is \$2,200,000.

Bonded debt as of June 30, 2025 is as follows:

Description	Interest Rate Payable	Maturity Date	Original Issue	Outstanding
General obligation bonds:				
Unlimited tax qualified school construction bonds, taxable series 2010	0%	2/15/26	\$ 7,100,000	\$ 475,000
Unlimited tax refunding bonds, series 2015	4.0%-5.0%	2/15/34	7,780,000	7,780,000
Unlimited tax refunding bonds, series 2016	3.00%	2/15/34	33,730,000	19,410,000
Unlimited tax school building bonds, series 2017	2.0%-5.0%	2/15/42	32,985,000	21,930,000
Unlimited tax refunding bonds, series 2018	3.0%-4.0%	2/15/34	8,520,000	6,955,000
Total outstanding bonded debt				\$ 56,550,000

The District's long-term liabilities consist of bond indebtedness and compensated absences. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for compensated absences are accounted for in the general fund.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

Long-term liability activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Bonds payable:					
Unlimited tax qualified school construction bonds, taxable series 2010	\$ 950,000	\$ -	\$ (475,000)	\$ 475,000	\$ 475,000
Unlimited tax refunding bonds, series 2015	7,780,000	-	-	7,780,000	-
Unlimited tax refunding bonds, series 2016	21,985,000	-	(2,575,000)	19,410,000	2,305,000
Unlimited tax school building bonds, series 2017	25,955,000	-	(4,025,000)	21,930,000	560,000
Unlimited tax refunding bonds, series 2018	7,080,000	-	(125,000)	6,955,000	130,000
Sub-total bonds payable	\$ 63,750,000	\$ -	\$ (7,200,000)	\$ 56,550,000	\$ 3,470,000
Deferred amounts:					
Accumulated accretion on capital appreciation bonds	-	-	-	-	-
Premium on issuance of bonds	6,279,496	-	(559,530)	5,719,966	-
Discount on issuance of bonds	(169,086)	-	9,571	(159,515)	-
Sub-Total long-term debt	\$ 6,110,410	\$ -	\$ (549,959)	\$ 5,560,451	\$ -
Other liabilities:					
Loans payable- Maintenance Tax Notes, Series 2023	4,645,000	-	(595,000)	4,050,000	620,000
Loans payable- Maintenance Tax Notes, Series 2024	7,055,000	-	(415,000)	6,640,000	750,000
Loans payable-Line of credit	-	2,200,000	-	2,200,000	-
Net pension liability	18,950,545	-	(3,581,643)	15,368,902	-
Net OPEB liability	8,326,516	2,350,293	-	10,676,809	-
Compensated absences	202,077	30,565	-	232,642	-
Total other liabilities	\$ 39,179,138	\$ 4,580,858	\$ (4,591,643)	\$ 39,168,353	\$ 1,370,000
Governmental activities long-term liabilities	\$ 109,039,548	\$ 4,580,858	\$ (12,341,602)	\$ 101,278,804	\$ 4,840,000

Defeased Debt

The District has defeased certain general obligation and other bonds in prior years by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2025, there were no bonds outstanding considered defeased.

Debt service requirements at June 30, 2025 were as follows:

Year Ended June 30	General Obligation Bonds		Notes and Loans		Total Requirements
	Principal	Interest	Principal	Interest	
2026	\$ 3,470,000	\$ 2,365,925	\$ 1,370,000	\$ 398,313	\$ 7,604,238
2027	3,830,000	2,228,675	3,650,000	347,651	10,056,326
2028	3,770,000	2,081,225	1,505,000	293,967	7,650,192
2029	4,050,000	1,928,675	1,565,000	238,231	7,781,906
2030-2034	23,180,000	7,006,775	4,800,000	358,398	35,345,173
2035-2039	9,425,000	2,774,625	-	-	12,199,625
2040-2042	8,825,000	642,562	-	-	9,467,562
	<u>\$ 56,550,000</u>	<u>\$ 19,028,462</u>	<u>\$ 12,890,000</u>	<u>\$ 1,636,560</u>	<u>\$ 90,105,022</u>

Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue.

As of June 30, 2025, the District does not anticipate any arbitrage liability.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
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F. Leases

GASB Statement No. 87, *Leases* (GASB 87), establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities.

The District adopted GASB 87, which pertains to lease accounting; however, management determined that the implementation did not have a significant impact on the financial statements. Accordingly, no lease-related assets or liabilities were recognized in the disclosures.

G. Subscription-Based Information Technology Arrangements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, provides guidance on the accounting and financial reporting for SBITAs for government end users (governments). Under GASB 96, a SBITA is defined as a contract that conveys controls of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will *not* exercise that option). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter, with earlier application encouraged.

The District has entered into subscription based IT contracts, however, management determined that the impact of these arrangements is not material to the government-wide financial statements. Accordingly, no related assets or liabilities were recognized.

H. Defined Benefit Pension Plan

Plan Description. The District participates in a multiple-employer cost-sharing defined benefit pension plan that has a special funding situation. The pension plan is administered by the 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 plan 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 plan's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position. Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at <https://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at attention Finance Division, PO BOX 149676, Austin, TX, 78714-0185, or by calling 1-800-223-8778.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
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Components of the net pension liability of the pension plan as of August 31, 2024 are as follows:

Total pension liability	\$ 271,627,434,294
Less: plan fiduciary net position	(210,543,258,495)
Net pension liability	<u>\$ 61,084,175,799</u>
Net position as percentage of total pension liability	77.51%

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule.

There are no automatic post-employment benefit changes; including automatic cost-of-living adjustments COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc COLAs.

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

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

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

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

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

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

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

**SANTA FE INDEPENDENT SCHOOL DISTRICT
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	Contribution Rates	
	2024	2025
Member	8.25%	8.25%
Non-employer contributing entity (NECE) (State)	8.25%	8.25%
Employers	8.25%	8.25%
2025 Employer contributions		\$ 1,337,589
2025 Member contributions		\$ 2,830,543
2025 NECE on-behalf contributions		\$ 2,119,463

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

The State's on-behalf contribution is recorded as revenues and expenditures/expenses in the financial statements.

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

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

In addition to the employer contributions listed above, there is a surcharge an employer is subject to:

- All public schools, charter schools, and regional educational service centers must contribute 1.9% of the member's salary beginning in fiscal year 2023, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

Actuarial Assumptions. The total pension plan liability in the August 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2023 rolled forward to August 31, 2024
Actuarial cost method	Individual entry age Normal
Asset valuation method	Fair Value
Single discount rate	7.00%
Long-term expected investment rate of return	7.00%
Municipal bond rate as of August 2024*	3.87%
Last year ending August 31 in projection period (100 years)	2123
Inflation	2.30%
Salary increases	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None
* Source: 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 methods and assumptions are 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 21, 2023.

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

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

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates 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.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
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Best estimates of geometric real rates of return for each major asset class included in the systems 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:			
U.S.	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%
Absolute return*	0.0%	4.0%	0.0%
Stable value hedge funds	5.0%	3.0%	0.2%
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****			<u>-0.7%</u>
Expected Return	<u>100%</u>		<u>7.9%</u>
* Absolute return includes credit sensitive investments.			
** Target allocations are based on the FY2024 policy model.			
*** Capital market assumptions come from 2024 SAA study SMA survey (as of 12/31/2023)			
**** The volatility drag results from the conversion between arithmetic and geometric mean returns.			

Discount Rate Sensitivity Analysis. The following table presents the Net Pension Liability of the pension plan using the discount rate of 7.00%, and what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.00%) or 1% 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	\$ 24,548,031	\$ 15,368,902	\$ 7,763,341

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2025, the District reported a net pension liability of \$15,368,902 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 were as follows:

District's proportionate share of the collective net pension liability	\$ 15,368,902
State's proportionate share that is associated with the District	22,973,833
Total	<u>\$ 38,342,735</u>

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

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 through August 31, 2024.

For the fiscal years ended June 30, 2025 and 2024, the District's proportion of the collective net pension liability was as follows:

2025 Measurement Year 8/31/2024	2024 Measurement Year 8/31/2023	Increase/(Decrease)
0.0251602026%	0.0275883657%	-0.0024281631%

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

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

For the year ended June 30, 2025, the District recognized pension expense of \$ \$4,579,604 and revenue of \$ \$2,745,757 for support provided by the State in the government-wide financial statements.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 847,113	\$ 119,993
Changes in actuarial assumptions	793,529	106,385
Net difference between projected and actual investment earnings	93,422	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	642,903	1,470,836
District contributions paid to TRS subsequent to the measurement date	1,113,350	-
Total	\$ 3,490,317	\$ 1,697,214

The District recognized \$1,113,350 as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2025.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

The other 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 June 30:	Pension Expense Amount
2026	\$ (166,422)
2027	1,422,401
2028	54,168
2029	(537,400)
2030	(92,994)
Thereafter	-
	<u><u>\$ 679,753</u></u>

I. Defined Other Post-Employment Benefit Plan (OPEB)

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 benefit OPEB plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

OPEB Plan Fiduciary Net Position. Detail information about TRS-Care's fiduciary net position is available in the separately issued TRS 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/learningresources/publications>; by writing to TRS at P.O. Box 149676, Austin, TX, 78714-0185; or by calling (800) 223-8778.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2024 are as follows:

Total OPEB Liability	\$ 35,168,178,563
Less: Plan Fiduciary Net Position	(4,816,646,311)
Net OPEB Liability	<u><u>\$ 30,351,532,252</u></u>
Net Position as a Percentage of Total OPEB Liability	13.70%

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.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

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

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

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 school districts based upon active employee contributions. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school.

The actual District contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor:

	Contribution Rates	
	2024	2025
Member	0.65%	0.65%
Non-employer contributing entity (NECE) (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
2025 Employer contributions		\$ 293,463
2025 Member contributions		\$ 223,012
2025 NECE on-behalf contributions		\$ 400,368

In addition to the District's contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers are required to pay to TRS Care a monthly surcharge of \$535 per retiree.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2023. Updated procedures were used to roll forward the Total OPEB Liability to August 31, 2024. The actuarial valuation was determined using the following actuarial assumptions:

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 demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021.

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

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

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

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.

Additional Actuarial Methods and Assumptions:

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 age-adjusted claims costs.
Salary increases	2.95% to 8.95%, including inflation*
Ad hoc post-employment benefit changes	None
*Includes inflation at 2.30%	

Discount Rate. A single discount rate of 3.87% was used to measure the total OPEB liability. There was a decrease of 0.26% 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.

Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the single discount rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Bond Buyer’s “20-Bond GO Index” as of August 31, 2024, using the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% point lower than and 1% 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 Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the net OPEB liability	\$ 12,684,549	\$ 10,676,809	\$ 9,054,526

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

	1% Decrease in Healthcare Trend Rate	Current Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of the net OPEB liability	\$ 8,694,676	\$ 10,676,809	\$ 13,259,727

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2025, the District reported a liability of \$10,676,809 for its proportionate share of the TRS' 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	\$ 10,676,809
State's proportionate share that is associated with the District	13,377,897
Total	<u>\$ 24,054,706</u>

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

For the fiscal years ended June 30, 2025 and 2024, the District's proportion of the collective net OPEB liability was as follows:

2025 Measurement Year 8/31/2024	2024 Measurement Year 8/31/2023	Increase/(Decrease)
0.0351771678%	0.0376113543%	-0.0024341865%

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 single discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study. This change decreased the total OPEB liability.
- The tables used to model the impact of aging on the underlying claims were revised.
- There were no changes in benefit terms since the prior measurement date.

The amount of OPEB expense recognized by the District in the reporting period was \$ \$2,751,268.

For the year ended June 30, 2025, the District recognized OPEB expense of \$(2,751,268) and revenue of \$(1,738,880) for support provided by the State.

On June 30, 2025, the District reported its proportionate share of the TRS' 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	\$ 2,046,386	\$ 5,328,307
Changes in actuarial assumptions	1,366,505	3,483,719
Net difference between projected and actual investment earnings	-	29,899
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,647,276	1,586,807
District contributions paid to TRS subsequent to the measurement date	242,696	-
Total	<u>\$ 5,302,863</u>	<u>\$ 10,428,732</u>

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

The District recognized \$242,696 as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended June 30, 2025. The other amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	OPEB Expense Amount
2026	\$ (1,235,252)
2027	(751,684)
2028	(1,122,863)
2029	(1,137,556)
2030	(719,293)
Thereafter	(401,917)
	<u><u>\$ (5,368,565)</u></u>

J. Medicare Part D – On Behalf Payments

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, 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 years ended June 30, 2025, 2024, and 2023, the subsidy payments received by TRS-Care on-behalf of the District were \$244,027, \$197,195 and \$198,895, respectively. These payments are recorded as equal revenues and expenditures/expenses in the financial statements.

K. Health Care

The District participates in the Teacher Retirement System of Texas Active Care health care coverage program. This program is a statewide program for public education employees established by the 77th Texas Legislature.

III. OTHER INFORMATION

A. Risk Management

School districts face various financial and operational risks, which they must proactively manage to safeguard their resources and ensure smooth operations. Risk management includes identifying potential risks, implementing strategies to minimize or mitigate them, and ensuring proper oversight.

1. Insurance Programs

- *Liability Insurance* - The district purchases insurance to protect against damage to property, liability claims, and other potential losses. This covers events like natural disasters, theft, vandalism, and lawsuits against the district.
- *General Liability Insurance* - Covers legal claims related to personal injury or property damage caused by district operations. This may include injuries to students or visitors on district property.

In general, the District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; unemployment; injuries to employees; and natural disasters. During the year ended June 30, 2025, the District purchased commercial insurance for claims related to all risks. There were no significant reductions in coverage in the past fiscal year or settlements exceeding insurance coverage for any of the past three fiscal years.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

- Workers' Compensation

In prior years, the District participated in a public entity risk pool for workers' compensation benefits, which was self-funded from accumulated assets and was provided directly from the District. All were submitted, processed, and approved by a third party administrator acting as agent for the District. The plan was documented by contractual agreement.

During its participation in the self-funded plan, the District was protected against unanticipated catastrophic individual loss by stop-loss coverage carried through a commercial insurer, eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage in effect was for annual individual claims exceeding \$225,000.

For the year ended June 30, 2025 the accrued liability for Workers' Compensation self-insurance of \$10,569 includes an estimate for claims incurred but not reported. This liability, reported in the general fund is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information, prior to the issuance of the financial statements, indicates it is probable a liability has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated. Since actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not necessarily result in an exact amount. Accrued liability for the workers' compensation fund represents unpaid claims and expenses on previously filed claims.

The following is a summary of the change in the balance of claims liabilities for workers' compensation for the year ended June 30, 2025 and 2024, respectively:

	<u>2025</u>	<u>2024</u>
Liability, beginning of period	\$ 11,974	\$ 14,695
Changes in the est. for current & prior period claims	(686)	(1,875)
Payments on claims	(719)	(849)
Liability, end of period	<u>\$ 10,569</u>	<u>\$ 11,974</u>

The District purchased workers' compensation coverage through Deep East Texas Self Insurance Fund (the Fund), a public entity risk pool, which is self-sustained through member contributions. The Fund reinsures to statutory limits through commercial companies for claims in excess of \$1,100,000 for years 2023-2024. The Fund contracts with independent actuaries to determine the adequacy of reserves and fully funds those reserves.

The members of Deep East Texas Self Insurance Fund have no known premium liabilities for workers' compensation coverage in excess of their contracted annual premium. However, if the assets of the Fund were to be exhausted, members would be liable for their portion of the Fund's liabilities. This would indicate that members would be contingently liable for the portion of the liability applicable to their political entity. Independent auditors conduct a financial audit at the close of each plan year and as of the most recent audit, the Fund has adequate assets to more than cover more than 100% of all liabilities.

- Unemployment Compensation Coverage

During the year ended June 30, 2025, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended June 30, 2025, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2024, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

B. Litigation and Contingencies

The District is a party to various legal actions none of which the Administration, based on consultation with its legal counsel, believes will have a material effect on the financial condition of the District. Accordingly, no provisions for gains or losses have been recorded in the accompanying government-wide or fund financial statements for contingencies.

The District participates in numerous state and federal grant programs governed by various rules and regulations of the grantor agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. To the extent that the District has not complied with the rules and regulations governing the grants, if any, claims may be disallowed. Any disallowed claims, including amounts already collected, may constitute a liability of the District.

In the opinion of the Administration, no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants exist; therefore, no provision has been recorded in the accompanying government-wide or fund financial statements.

C. Related Organizations

The Santa Fe ISD Education Foundation ("Foundation"), a non-profit entity which was organized in 2009 to provide funds for District teaching and education programs, is a "related organization" as defined by GASB Statement No. 61. The members of the Board of Directors of the Foundation serve without financial compensation. The operations of the Foundation are not financially significant to the overall operations of the District, and therefore are not reported in the District's financial statements.

D. Deficit Net Position

At June 30, 2025, the District reported a deficit balance of \$4,794,731 on the statement of net position caused by the implementation of GASB statement No. 68, *Accounting and Financial Reporting for Pensions* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

E. Subsequent Events

In November 2025, subsequent to year-end, the District was notified by the State of additional funding (foundation school program) totaling approximately \$1.8 million related to the 2024 fiscal year. This revenue was not measurable as of June 30, 2025 and therefore not recognized in these financial statements. The District will recognize the funding in the 2026 fiscal year.

In preparing the financial statements, the District has evaluated subsequent events through December 15, 2025, the date the financials were available to be issued. The District is not aware of any events that have occurred subsequent to the statement of financial position date that would require adjustment to or disclosure in, the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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SANTA FE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 18,121,965	\$ 18,121,965	\$ 18,378,218	\$ 256,253
5800	State Program Revenues	25,147,916	26,347,916	28,515,612	2,167,696
5900	Federal Program Revenues	200,000	200,000	776,283	576,283
5020	Total Revenues	43,469,881	44,669,881	47,670,113	3,000,232
EXPENDITURES:					
Current:					
0011	Instruction	23,316,477	25,208,426	24,560,029	648,397
0012	Instructional Resources and Media Services	404,496	425,371	406,553	18,818
0013	Curriculum and Instructional Staff Development	1,156,884	1,180,780	1,048,822	131,958
0021	Instructional Leadership	259,092	526,867	437,396	89,471
0023	School Leadership	2,515,533	2,846,424	2,774,636	71,788
0031	Guidance, Counseling, and Evaluation Services	933,103	1,117,785	1,054,197	63,588
0032	Social Work Services	115,686	137,162	128,749	8,413
0033	Health Services	385,365	456,649	417,715	38,934
0034	Student (Pupil) Transportation	3,018,086	3,615,839	3,333,732	282,107
0035	Food Services	99,325	160,443	151,315	9,128
0036	Extracurricular Activities	1,135,954	1,180,880	1,129,294	51,586
0041	General Administration	1,926,417	2,010,868	1,985,610	25,258
0051	Facilities Maintenance and Operations	7,464,788	6,334,119	5,885,170	448,949
0052	Security and Monitoring Services	1,225,622	1,246,749	1,212,526	34,223
0053	Data Processing Services	1,686,424	1,500,247	1,252,532	247,715
0061	Community Services	130,916	222,275	219,573	2,702
Debt Service:					
0071	Principal on Long-Term Liabilities	894,618	1,150,000	1,010,000	140,000
0072	Interest on Long-Term Liabilities	851,104	400,000	392,668	7,332
Capital Outlay:					
0081	Facilities Acquisition and Construction	85,049	85,049	-	85,049
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	81,013	205,013	190,232	14,781
6030	Total Expenditures	47,685,952	50,010,946	47,590,749	2,420,197
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,216,071)	(5,341,065)	79,364	5,420,429
OTHER FINANCING SOURCES (USES):					
7914	Non-Current Loans	-	-	2,200,000	2,200,000
8911	Transfers Out (Use)	-	-	(1,398)	(1,398)
7080	Total Other Financing Sources (Uses)	-	-	2,198,602	2,198,602
1200	Net Change in Fund Balances	(4,216,071)	(5,341,065)	2,277,966	7,619,031
0100	Fund Balance - July 1 (Beginning)	12,915,083	12,915,083	12,915,083	-
3000	Fund Balance - June 30 (Ending)	\$ 8,699,012	\$ 7,574,018	\$ 15,193,049	\$ 7,619,031

SANTA FE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2025

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
District's Proportion of the Net Pension Liability (Asset)	0.025160203%	0.027588366%	0.026080761%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 15,368,902	\$ 18,950,545	\$ 15,483,477
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	22,973,833	27,086,615	24,552,650
Total	<u>\$ 38,342,735</u>	<u>\$ 46,037,160</u>	<u>\$ 40,036,127</u>
District's Covered Payroll	\$ 36,541,052	\$ 36,733,461	\$ 34,551,485
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	42.06%	51.59%	44.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.51%	73.15%	75.62%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2023 for year 2024, August 31, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015
0.025479068%	0.027006729%	0.028874063%	0.025522338%	0.024963169%	0.022931223%	0.0235476%
\$ 6,488,617	\$ 14,464,253	\$ 15,009,641	\$ 14,048,114	\$ 7,981,877	\$ 8,665,368	\$ 8,323,763
10,967,176	22,761,633	21,241,884	23,435,576	13,644,899	16,575,822	15,786,492
\$ 17,455,793	\$ 37,225,886	\$ 36,251,525	\$ 37,483,690	\$ 21,626,776	\$ 25,241,190	\$ 24,110,255
\$ 32,948,249	\$ 32,638,457	\$ 30,920,380	\$ 29,473,443	\$ 27,666,114	\$ 26,295,848	\$ 25,156,791
19.69%	44.32%	48.54%	47.66%	28.85%	32.95%	33.08%
88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

SANTA FE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2025

	2025	2024	2023
Contractually Required Contribution	\$ 1,337,589	\$ 1,415,750	\$ 1,402,801
Contribution in Relation to the Contractually Required Contribution	(1,337,589)	(1,415,750)	(1,402,801)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 34,310,257	\$ 36,829,113	\$ 36,440,186
Contributions as a Percentage of Covered Payroll	3.90%	3.84%	3.85%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

2022	2021	2020	2019	2018	2017	2016
\$ 1,162,782	\$ 1,095,396	\$ 1,103,962	\$ 969,935	\$ 848,880	\$ 813,132	\$ 610,244
(1,162,782)	(1,095,396)	(1,103,962)	(969,935)	(848,880)	(813,132)	(610,244)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 34,166,265	\$ 32,831,985	\$ 32,407,855	\$ 30,554,638	\$ 29,211,073	\$ 27,570,721	\$ 21,822,729
3.40%	3.34%	3.41%	3.17%	2.91%	2.95%	2.79%

SANTA FE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2025

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.035177168%	0.037611354%	0.037031034%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 10,676,809	\$ 8,326,516	\$ 8,866,713
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	13,377,897	10,047,222	10,815,996
Total	<u>\$ 24,054,706</u>	<u>\$ 18,373,738</u>	<u>\$ 19,682,709</u>
District's Covered Payroll	\$ 36,541,052	\$ 36,733,461	\$ 34,551,485
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	29.22%	22.67%	25.66%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.70%	14.94%	11.52%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. For example, the amounts for FY 2025 are for the measurement date of August 31, 2024, etc.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2022 Plan Year 2021		FY 2021 Plan Year 2020		FY 2020 Plan Year 2019		FY 2019 Plan Year 2018		FY 2018 Plan Year 2017	
0.036460972%		0.037875465%		0.037882093%		0.034540923%		0.03116958%	
\$	14,064,626	\$	14,398,175	\$	17,914,906	\$	17,246,599	\$	13,554,481
18,843,465		19,347,696		23,804,903		24,900,401		22,180,424	
\$	32,908,091	\$	33,745,871	\$	41,719,809	\$	42,147,000	\$	35,734,905
\$	32,946,417	\$	31,761,539	\$	30,920,380	\$	29,473,443	\$	27,666,114
42.69%		45.33%		57.94%		58.52%		48.99%	
6.18%		4.99%		2.66%		1.57%		0.91%	

SANTA FE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2025

	2025	2024	2023
Contractually Required Contribution	\$ 293,463	\$ 319,501	\$ 322,350
Contribution in Relation to the Contractually Required Contribution	(293,463)	(319,501)	(322,350)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 34,310,257	\$ 36,829,113	\$ 36,440,186
Contributions as a Percentage of Covered Payroll	0.86%	0.87%	0.88%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

2022	2021	2020	2019	2018
\$ 297,579	\$ 276,264	\$ 285,143	\$ 275,132	\$ 220,168
(297,579)	(276,264)	(285,143)	(275,132)	(220,168)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 34,166,265	\$ 31,953,234	\$ 32,407,855	\$ 30,554,638	\$ 29,211,073
0.87%	0.86%	0.88%	0.90%	0.75%

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Notes to Schedule of Revenue, Expenditures, and Changes in Fund Balance

Budgetary Information

The District adopts an “appropriated budget” for the General Fund, Debt Service Fund, and the Child Nutrition Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to Federal, State and locally imposed length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations, must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available or estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the budget during the year ended June 30, 2025.

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principals and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget for fiscal year 2025 was prepared for adoption for budgeted governmental fund types by June 30, 2024. The budget was adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods and purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year’s budget.

The TEA requires the budgets for the General Fund, Debt Service Fund, and Child Nutrition Program to be filed with the TEA. The budget should not be exceeded in any functional category under TEA requirements. For the year ended June 30, 2025, the District’s expenditures did not exceed appropriations.

**SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Notes to the Schedule of the District's Proportionate Share of the Net Pension Liability

Changes in Benefits

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

Changes of Assumptions

The following were changes to the actuarial assumptions or other inputs that affected the measurement of the net pension liability since the prior measurement period:

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

Notes to Schedule of the District's Proportionate Share of the Net OPEB Liability

Changes in Benefits

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

Changes of Assumptions

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 single discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.

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COMBINING SCHEDULES

SANTA FE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

Data Control Codes		211	224	225	226
		ESEA I, A	IDEA - Part B	IDEA - Part B	IDEA - Part B
		Improving Basic Program	Formula	Preschool	Discretionary
ASSETS					
1110	Cash and Cash Equivalents	\$ 1,746	\$ 28,251	\$ -	\$ -
1240	Due from Other Governments	93,102	50,787	3,480	144,266
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1410	Prepayments	-	-	-	-
1000	Total Assets	<u>\$ 94,848</u>	<u>\$ 79,038</u>	<u>\$ 3,480</u>	<u>\$ 144,266</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 165	\$ 41	\$ -
2150	Payroll Deductions and Withholdings Payable	-	-	1	-
2160	Accrued Wages Payable	65,117	78,873	3,354	-
2170	Due to Other Funds	29,731	-	84	144,266
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>94,848</u>	<u>79,038</u>	<u>3,480</u>	<u>144,266</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
3430	Prepaid Items	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 94,848</u>	<u>\$ 79,038</u>	<u>\$ 3,480</u>	<u>\$ 144,266</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	279 ESSER III TCLAS ARP Act	284 IDEA B Formula ARP Act	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives
\$ 432,167	\$ -	\$ -	\$ -	\$ -	\$ 16	\$ 1,475	\$ 9,926
-	5,082	17,022	5,054	10,000	-	111,439	-
-	-	-	-	-	-	-	-
35,012	-	-	-	-	-	-	-
53,551	-	-	-	-	-	-	-
<u>\$ 520,730</u>	<u>\$ 5,082</u>	<u>\$ 17,022</u>	<u>\$ 5,054</u>	<u>\$ 10,000</u>	<u>\$ 16</u>	<u>\$ 112,914</u>	<u>\$ 9,926</u>
\$ 632	\$ 4,457	\$ 519	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	25	10	16	-	-
118,105	-	2,295	3,837	-	-	16,448	-
217,152	625	14,208	1,192	9,990	-	94,991	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,475	-
<u>335,889</u>	<u>5,082</u>	<u>17,022</u>	<u>5,054</u>	<u>10,000</u>	<u>16</u>	<u>112,914</u>	<u>-</u>
35,012	-	-	-	-	-	-	-
53,551	-	-	-	-	-	-	-
96,278	-	-	-	-	-	-	9,926
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>184,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,926</u>
<u>\$ 520,730</u>	<u>\$ 5,082</u>	<u>\$ 17,022</u>	<u>\$ 5,054</u>	<u>\$ 10,000</u>	<u>\$ 16</u>	<u>\$ 112,914</u>	<u>\$ 9,926</u>

SANTA FE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

Data Control Codes		410 State Instructional Materials	429 Other State Special Revenue Funds	459 Other SSA Special Revenue Funds	461 Campus Activity Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 98,477	\$ -	\$ 1,025,055
1240	Due from Other Governments	83,841	28,286	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1410	Prepayments	-	-	-	-
1000	Total Assets	<u>\$ 83,841</u>	<u>\$ 126,763</u>	<u>\$ -</u>	<u>\$ 1,025,055</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 82,992	\$ -	\$ 137,277
2150	Payroll Deductions and Withholdings Payable	-	1,354	-	-
2160	Accrued Wages Payable	-	2,418	-	-
2170	Due to Other Funds	83,841	10,445	-	-
2180	Due to Other Governments	-	-	-	558
2300	Unearned Revenue	-	15,252	-	-
2000	Total Liabilities	<u>83,841</u>	<u>112,461</u>	<u>-</u>	<u>137,835</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
3430	Prepaid Items	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	14,302	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	887,220
3000	Total Fund Balances	<u>-</u>	<u>14,302</u>	<u>-</u>	<u>887,220</u>
4000	Total Liabilities and Fund Balances	<u>\$ 83,841</u>	<u>\$ 126,763</u>	<u>\$ -</u>	<u>\$ 1,025,055</u>

499		Total	
Other Local		Nonmajor	
Special		Governmental	
Revenue Funds		Funds	
\$	2,303	\$	1,599,416
	67,606		619,965
	8,668		8,668
	-		35,012
	-		53,551
<u>\$</u>	<u>78,577</u>	<u>\$</u>	<u>2,316,612</u>
\$	685	\$	226,768
	-		1,406
	-		290,447
	76,005		682,530
	-		558
	-		16,727
<u>\$</u>	<u>76,690</u>	<u>\$</u>	<u>1,218,436</u>
	-		35,012
	-		53,551
	-		120,506
	1,887		1,887
	-		887,220
<u>\$</u>	<u>1,887</u>	<u>\$</u>	<u>1,098,176</u>
<u>\$</u>	<u>78,577</u>	<u>\$</u>	<u>2,316,612</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	487,831	892,919	26,666	144,266
5020 Total Revenues	487,831	892,919	26,666	144,266
EXPENDITURES:				
Current:				
0011 Instruction	477,441	247,948	26,666	144,266
0013 Curriculum and Instructional Staff Development	8,706	407,946	-	-
0021 Instructional Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	40,545	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	3,388	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	1,684	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	193,092	-	-
6030 Total Expenditures	487,831	892,919	26,666	144,266
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	279 ESSER III TCLAS ARP Act	284 IDEA B Formula ARP Act	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives
\$ 1,257,501	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11,196	-	-	-	-	-	49,988	204
1,451,277	33,626	69,265	27,339	69,977	-	189,026	-
2,719,974	33,626	69,265	27,339	69,977	-	239,014	204
-	27,190	10,254	26,139	69,977	-	43,168	-
-	1,564	53,735	1,200	-	-	9,100	-
-	4,872	780	-	-	-	-	-
-	-	4,496	-	-	-	136,757	-
2,953,958	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
80,177	-	-	-	-	-	-	-
-	-	-	-	-	-	49,989	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,034,135	33,626	69,265	27,339	69,977	-	239,014	-
(314,161)	-	-	-	-	-	-	204
1,398	-	-	-	-	-	-	-
(312,763)	-	-	-	-	-	-	204
497,604	-	-	-	-	-	-	9,722
\$ 184,841	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,926

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

Data Control Codes	410 State Instructional Materials	429 Other State Special Revenue Funds	459 Other SSA Special Revenue Funds	461 Campus Activity Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 1,250,089
5800 State Program Revenues	402,342	327,016	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	402,342	327,016	-	1,250,089
EXPENDITURES:				
Current:				
0011 Instruction	402,342	88,624	-	15
0013 Curriculum and Instructional Staff Development	-	16,098	-	-
0021 Instructional Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	2,175	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	1,116,573
0041 General Administration	-	67,878	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	152,241	-	-
0061 Community Services	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	402,342	327,016	-	1,116,588
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	133,501
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	133,501
0100 Fund Balance - July 1 (Beginning)	-	14,302	-	753,719
3000 Fund Balance - June 30 (Ending)	\$ -	\$ 14,302	\$ -	\$ 887,220

499		Total	
Other Local		Nonmajor	
Special		Governmental	
Revenue Funds		Funds	
\$	138,762	\$	2,646,352
	250		790,996
	-		3,392,192
	139,012		6,829,540
	-		1,564,030
	250		498,599
	-		5,652
	-		183,973
	-		2,953,958
	-		1,119,961
	552		68,430
	-		80,177
	-		202,230
	138,210		139,894
	-		193,092
	139,012		7,009,996
	-		(180,456)
	-		1,398
	-		(179,058)
	1,887		1,277,234
\$	1,887	\$	1,098,176

SANTA FE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 JUNE 30, 2025

	865 Custodial Fund Student Activity Acct	899 Other Custodial Funds	Total Custodial Funds
ASSETS			
Cash and Cash Equivalents	\$ 61,680	\$ 8,527	\$ 70,207
Other Receivables	-	6	6
Total Assets	<u>61,680</u>	<u>8,533</u>	<u>70,213</u>
LIABILITIES			
Accounts Payable	<u>106</u>	-	<u>106</u>
Total Liabilities	<u>106</u>	<u>-</u>	<u>106</u>
NET POSITION			
Restricted for Student Groups	61,574	-	61,574
Restricted for Other Purposes	-	8,533	8,533
Total Net Position	<u>\$ 61,574</u>	<u>\$ 8,533</u>	<u>\$ 70,107</u>

SANTA FE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2025

	865 Custodial Fund Student Activity Acct	899 Other Custodial Funds	Total Custodial Funds
ADDITIONS:			
Enterprising Services Revenue	\$ 56,602	\$ 6,095	\$ 62,697
Total Additions	<u>56,602</u>	<u>6,095</u>	<u>62,697</u>
DEDUCTIONS:			
Other Deductions	<u>56,622</u>	<u>4,807</u>	<u>61,429</u>
Total Deductions	<u>56,622</u>	<u>4,807</u>	<u>61,429</u>
Change in Net Position	(20)	1,288	1,268
Net Position - July 1 (Beginning)	<u>61,594</u>	<u>7,245</u>	<u>68,839</u>
Net Position - June 30 (Ending)	<u><u>\$ 61,574</u></u>	<u><u>\$ 8,533</u></u>	<u><u>\$ 70,107</u></u>

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COMPLIANCE SCHEDULES

SANTA FE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2025

Last 10 Years Ended	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2016 and prior years	Various	Various	\$ Various
2017	1.040000	0.362300	1,255,762,818
2018	1.040000	0.362300	1,420,096,212
2019	1.040000	0.362300	1,420,213,874
2020	0.970000	0.362300	1,581,106,252
2021	0.919300	0.362300	1,811,444,587
2022	0.872000	0.362300	2,071,133,355
2023	0.854600	0.362300	2,200,653,957
2024	0.738000	0.362300	2,045,276,743
2025 (School year under audit)	0.779100	0.362300	2,191,147,626
1000 TOTALS			
8000 Total Taxes Refunded Under Section 26.1115, Tax Code			

(10) Beginning Balance 7/1/2024	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2025	(99) Taxes Refunded Under Section 26.1115c
\$ 406,546	\$	\$ 38,414	\$ 9,612	\$ -	\$ 358,520	
46,397		829	289	-	45,279	
56,737		2,564	893	(427)	52,853	
68,590		4,108	1,431	(690)	62,361	
88,909		5,880	2,196	(690)	80,143	
107,966		5,995	2,363	(1,341)	98,267	
171,119		14,539	6,041	(1,723)	148,816	
273,255		52,493	22,254	(14,859)	183,649	
876,225		315,767	155,017	(150,525)	254,916	
	25,009,759	16,403,362	7,627,953	-	978,444	
<u>\$ 2,095,744</u>	<u>\$ 25,009,759</u>	<u>\$ 16,843,951</u>	<u>\$ 7,828,049</u>	<u>\$ (170,255)</u>	<u>\$ 2,263,248</u>	

\$ 21,265

Reconciliation of Ending Balance per Exhibit J-1 to Balance per Exhibits A-1 and C-1:

Ending Balance per Exhibit J-1	\$ 2,263,248
Accrued Penalties and Interest on Delinquent Property Taxes Receivable	1,343,069
Property Taxes - Delinquent per Exhibits A-1 and C-1	<u>\$ 3,606,317</u>

SANTA FE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,306,236	\$ 1,306,236	\$ 1,257,501	\$ (48,735)
5800	State Program Revenues	12,562	12,562	11,196	(1,366)
5900	Federal Program Revenues	1,695,633	1,695,633	1,451,277	(244,356)
5020	Total Revenues	3,014,431	3,014,431	2,719,974	(294,457)
EXPENDITURES:					
Current:					
0035	Food Services	2,893,493	3,084,601	2,953,958	130,643
0051	Facilities Maintenance and Operations	114,938	111,938	80,177	31,761
6030	Total Expenditures	3,008,431	3,196,539	3,034,135	162,404
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	6,000	(182,108)	(314,161)	(132,053)
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	1,398	1,398
1200	Net Change in Fund Balances	6,000	(182,108)	(312,763)	(130,655)
0100	Fund Balance - July 1 (Beginning)	497,604	497,604	497,604	-
3000	Fund Balance - June 30 (Ending)	\$ 503,604	\$ 315,496	\$ 184,841	\$ (130,655)

SANTA FE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 8,182,941	\$ 8,182,941	\$ 8,349,465	\$ 166,524
5800 State Program Revenues	1,421,583	1,421,583	1,325,353	(96,230)
5020 Total Revenues	9,604,524	9,604,524	9,674,818	70,294
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	7,200,000	7,200,000	7,200,000	-
0072 Interest on Long-Term Liabilities	2,926,551	2,926,551	2,817,450	109,101
0073 Bond Issuance Cost and Fees	45,000	45,000	12,469	32,531
6030 Total Expenditures	10,171,551	10,171,551	10,029,919	141,632
1200 Net Change in Fund Balances	(567,027)	(567,027)	(355,101)	211,926
0100 Fund Balance - July 1 (Beginning)	8,953,680	8,953,680	8,953,680	-
3000 Fund Balance - June 30 (Ending)	\$ 8,386,653	\$ 8,386,653	\$ 8,598,579	\$ 211,926

SANTA FE INDEPENDENT SCHOOL DISTRICT
 USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
 FOR THE YEAR ENDED JUNE 30, 2025

Section A: Compensatory Education Programs

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	3165932
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30)	1295821

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	183006
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PIC 25)	627203

FEDERAL AWARDS SECTION

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MAYS & ASSOCIATES^{PLLC}
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees
SANTA FE INDEPENDENT SCHOOL DISTRICT
Santa Fe, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Fe Independent School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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


Mays & Associates, PLLC

Baytown, Texas
December 15, 2025



MAYS & ASSOCIATES^{PLLC}
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees
SANTA FE INDEPENDENT SCHOOL DISTRICT
Santa Fe, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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


Mays & Associates, PLLC

Baytown, Texas
December 15, 2025

**SANTA FE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiencies identified?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted:	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiencies identified?	<u> </u> yes	<u> X </u> none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes X no

Major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553; 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X yes no

**SANTA FE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

II. FINANCIAL STATEMENT FINDINGS

None noted

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted

**SANTA FE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

FINANCIAL STATEMENT FINDINGS

2024-1 Excess Expenditures over Appropriations

Condition and Criteria : State law mandates that expenditures not exceed appropriations on a functional level.

Cause and Effect: Expenditures exceeded appropriations in one functional categories. Budget amendments were approved during the year; however, unexpected expenditures at year end caused expenditures to exceed the amended functional category budget.

Recommendation: District personnel should continue to review all expenditures during the year to ensure that any necessary budget amendments are brought to the Board of Trustee for approval before June 30.

Current Status: The Board adopted a deficit budget for the 2024-2025 school year, which was amended during the year, and reports no excess expenditures over appropriations for the year ended June 30, 2025.



SANTA FE INDEPENDENT SCHOOL DISTRICT

P.O. BOX 370
SANTA FE, TEXAS 77510-0370

PHONE: (409) 925-3526
FAX: (409) 925-4002
www.sfid.org

Alejandro Sanchez.
Chief Financial Officer



CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2025

None Noted

An Equal Opportunity Employer

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

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing No.	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
US DEPARTMENT OF HOMELAND SECURITY			
<u>Passed Through Texas Department of Emergency Management</u>			
Disaster Grants - Public Assistance	97.036	167-02F3B-00	\$ 41,900
Total Passed Through Texas Department of Emergency Management			41,900
TOTAL US DEPARTMENT OF HOMELAND SECURITY			41,900
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010 A	24610101084909	94,675
ESEA, Title I, Part A - Improving Basic Programs	84.010 A	25610101084909	425,799
Total Assistance Listing Number 84.010			520,474
*IDEA - Part B, Formula	84.027 A	246600010849096600	97,652
*IDEA - Part B, Formula	84.027 A	256600010849096600	846,526
*IDEA - Part B, Discretionary	84.027 A	66002506	144,266
Total Assistance Listing Number 84.027			1,088,444
*IDEA - Part B, Preschool	84.173 A	246610010849096610	2,055
*IDEA - Part B, Preschool	84.173 A	256610010849096610	28,058
Total Assistance Listing Number 84.173			30,113
Total Special Education Cluster (IDEA)			1,118,557
23-24 Perkins V. Strengthening	84.048 A	24420006084909	10,911
2024-2025 Perkins V. Strengthening	84.048 A	25420006084909	25,247
Total Assistance Listing Number 84.048			36,158
Title III, Part A - English Language Acquisition	84.365 A	24671001084909	4,935
Title III, Part A - English Language Acquisition	84.365 A	25671001084909	23,811
Total Assistance Listing Number 84.365			28,746
ESEA, Title II, Part A, Teacher Principal Training	84.367 A	24694501084909	22,495
ESEA, Title II, Part A, Teacher Principal Training	84.367 A	25694501084909	51,983
Total Assistance Listing Number 84.367			74,478
Title IV, Part A, Subpart 1	84.424 A	24680101084909	21,950
Title IV, Part A, Subpart 1	84.424 A	25680101084909	34,258
Total Assistance Listing Number 84.424			56,208
COVID 19 - Learning Supports - (TCLAS) ESSER III	84.425 U	21528042084909	82,853
Total Passed Through Texas Education Agency			1,917,474
TOTAL U.S. DEPARTMENT OF EDUCATION			1,917,474
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Health and Human Services Commission</u>			
Medicaid Administrative Claiming Program - MAC	93.778	529-07-0157-00208	15,457
Total Medicaid Cluster			15,457
Total Passed Through Texas Health and Human Services Commission			15,457
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			15,457

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE			
<u>Direct Programs</u>			
Crime Victim Assistance	16.710	24255132	148,240
Total Direct Programs			148,240
TOTAL U.S. DEPARTMENT OF JUSTICE			148,240
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the Texas Department of Agriculture</u>			
*School Breakfast Program	10.553	71402501	381,131
*National School Lunch Program - Cash Assistance	10.555	71302501	1,179,263
*National School Lunch Prog. - Non-Cash Assistance	10.555	084909	157,418
Total Assistance Listing Number 10.555			1,336,681
Total Child Nutrition Cluster			1,717,812
Warehouse Distribution Fees Reimbursement	10.560	246TX312N2533	2,195
Total Passed Through the Texas Department of Agriculture			1,720,007
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,720,007
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,843,078

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

SANTA FE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. The District utilizes the fund types specified in Texas Education Agency's (TEA) *Financial Accountability System Resource Guide*. Special Revenue Funds are used to account for resources restricted or committed to specific purposes by a grantor. Federal and state financial assistance is generally accounted for in a Special Revenue Fund.

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2025. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the SEFA presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

2. The District has not elected to use the 10% de minimis indirect cost rate under the Uniform Guidance.
3. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types and agency funds are accounted for using a current financial resources measurement focus. All federal grant funds are accounted for in the special revenue funds, a component of the governmental fund type. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the governmental fund types. Under this basis of accounting, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received prior to being earned, they are recorded as unearned revenues. Generally, unused balances are returned to the grantor at the close of specified project periods.

4. The District participates in numerous state and federal grant programs that 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. Accordingly, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required, and the collectability of any related receivable at June 30, 2025 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 financial statements for such contingencies.

5. Reconciliation of Federal Program Revenues:

Total Expenditures of Federal Awards (Exhibit K-1)	\$ 3,843,078
Plus: School Health and Related Services (SHARS)	<u>325,397</u>
Total Federal Program Revenues (Exhibit C-3)	<u><u>\$ 4,168,475</u></u>

(Per TEA *Financial Accountability System Resource Guide* – SHARS reimbursements are not to be reported on Schedule of Expenditures of Federal Awards.)