

**PORT NECHES-GROVES INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

For the Year Ended August 31, 2025



PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Certificate of Board	i	
Financial Section		
Independent Auditor's Report	1	
Management's Discussion and Analysis	5	
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	15	A-1
Statement of Activities	16	B-1
Governmental Fund Financial Statements:		
Balance Sheet	18	C-1
Reconciliation of Balance Sheet for Governmental Funds to Statement of Net Position	19	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances	20	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21	C-2R
Proprietary Fund Financial Statements		
Statement of Net Position	22	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position	23	D-2
Statement of Cash Flows	24	D-3
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Position	25	E-1
Statement of Changes in Fiduciary Net Position	26	E-2
Notes to the Financial Statements	27	F-1
Required Supplementary Information:		
Budgetary Comparison Schedule - General Fund	58	G-1
Notes to Required Supplementary Information	59	
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher Retirement System of Texas	60	G-2
Schedule of the District's Pension Contributions - Teacher Retirement System of Texas	61	G-3
Schedule of the District's Proportionate Share of the Net OPEB Liability - Teacher Retirement System of Texas	62	G-4
Schedule of the District's OPEB Contributions - Teacher Retirement System of Texas	63	G-5
Notes to Required Supplementary Information - Pension and OPEB	64	
Other Supplementary Information:		
Combining Fund Statements:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	68	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	73	H-2
Required TEA Schedules		
Schedule of Delinquent Taxes Receivable	80	J-1
Budgetary Comparison Schedule - Child Nutrition Program Fund	81	J-2
Budgetary Comparison Schedule - Debt Service Fund	82	J-3
Compensatory Education Program and Bilingual Education Program Compliance Responses	83	J-4
Required Responses to Selected School FIRST Indicators	85	L-1

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS (continued)

	<u>Page</u>	<u>Exhibit</u>
Federal Awards Section		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	89	
Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance required by the Uniform Guidance	91	
Schedule of Findings and Questioned Costs	94	
Schedule of Expenditures of Federal Awards	97	K-1
Notes to Schedule of Expenditures of Federal Awards	98	K-2
Summary Schedule of Prior Audit Findings	99	
Corrective Action Plan	100	

CERTIFICATE OF BOARD

Port Neches-Groves Independent School District

Name of School District

Jefferson

County

123-908

Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended August 31, 2025, at a meeting of the board of trustees of such school district on February 17, 2026.

Brenda Duhon

Signature of Board Secretary

[Signature]

Signature of Board President



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Port Neches-Groves Independent School District

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, pension information, and other-post employment benefit information, as listed in the table of contents, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements, required Texas Education Agency (TEA) schedules, 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.

To the Board of Trustees
Port Neches-Groves Independent School District

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 GAAS. In our opinion the combining fund financial statements, required TEA schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule L-1 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
February 17, 2026



PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Port Neches-Groves Independent School District (the "District"), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2025.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by \$38,999,665 (net position).
- The District's total net position increased by \$339,537 from current operations.
- As of the close of the fiscal year, the District's governmental funds had combined ending fund balances of \$24,309,565, an increase of \$3,065,866 compared to the prior year.
- At the end of the fiscal year, unassigned fund balance of the general fund was \$14,427,078 or 23% of the fiscal year's total general fund expenditures.
- The District's bonded debt decreased by \$8,110,000 or 5% during the fiscal year.

Overview of the Financial Statements

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

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector enterprise.

The *Statement of Net Position* (Exhibit A-1) presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of how the financial position of the District is changing.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., uncollected taxes and earned but unused sick leave).

The government-wide financial operations (*governmental activities*) of the District are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Cocurricular/Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Debt Issuance Costs and Fees, Facilities Repair and Maintenance, Payments to Juvenile Justice Alternative Education Programs, and Other Intergovernmental Charges*.

The government-wide financial statements can be found as noted in the table of contents.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of cash resources*, as well as on *balances of cash resources* available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

Because the focus of governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, which are major funds. Data from the other governmental funds are combined into a single, aggregated presentation titled *total nonmajor governmental funds*.

The District adopts an annual revenue and appropriations budget for its general fund, debt service fund, and child nutrition fund. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison schedule has been provided for the general fund, debt service fund, and child nutrition fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found as noted in the table of contents.

Proprietary Fund. The propriety fund provides the same type of information as the government-wide financial statements, only in more detail. There are two types of proprietary funds – enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. In the enterprise fund, the District would charge outside customers a fee for services the District provides. The District has no business-type activities or enterprise funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District, at present, maintains one internal service fund, the Workers' Compensation Insurance Fund. The basic proprietary fund financial statements are noted in the table of contents of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students and student organizations. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs and activities. The District is the trustee, or custodian, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District maintains fiduciary funds for scholarships and student activities. The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Notes to the Basic 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. The notes to the basic financial statements are noted in the table of contents of this report.

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 relates to comparison of 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 with legally adopted annual budgets. The District did not have any major special revenue funds with legally adopted annual budgets; therefore, only the general fund is presented as required supplementary information. Additionally, the required supplementary information presents the District's pension and OPEB schedules. The required supplementary information can be found as noted in the table of contents.

Other Information. In addition to the basic financial statements and accompanying notes and required supplemental information, this report presents additional supplementary information, including schedules required by the Texas Education Agency. Such information is noted in the table of contents of this report.

Government-wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year end, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$38,999,665.

The District's net investment in capital assets (e.g. land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets, amounted to \$42,455,664. 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.

Port Neches-Groves Independent School District's Net Position

	Governmental Activities	
	2025	2024
Current and other assets	\$ 32,545,476	\$ 39,991,269
Capital assets	228,963,541	224,484,333
Total Assets	261,509,017	264,475,602
Total Deferred Outflows of Resources	12,830,708	15,810,127
Other liabilities	5,466,163	10,475,226
Long-term liabilities	216,032,127	216,676,503
Total Liabilities	221,498,290	227,151,729
Total Deferred Inflows of Resources	13,841,770	15,260,559
Net Position		
Net investment in capital assets	42,455,664	37,871,120
Restricted	8,009,543	5,404,088
Unrestricted	(11,465,542)	(5,401,767)
Total Net Position	\$ 38,999,665	\$ 37,873,441

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Net position of \$8,009,543 is restricted for future debt service and grant expenditures.

The District's net position increased by primarily as a result of increased revenues related to operating grants and contributions and a decrease in facilities maintenance and operating expenses.

Governmental Activities. Governmental activities increased the District's net position by \$339,537.

Port Neches-Groves Independent School District's Changes in Net Position

	Governmental Activities	
	2025	2024
Program Revenues		
Charges for services	\$ 3,034,741	\$ 1,305,803
Operating grants and contributions	6,800,299	6,535,340
General Revenues		
Maintenance and operations taxes	22,976,691	23,320,060
Debt service taxes	13,478,538	13,463,969
State Aid - Formula Grants	25,008,983	29,508,916
Investment earnings	1,215,642	1,910,557
Other	1,915,025	3,117,862
Total Revenues	74,429,919	79,162,507
Expenses		
Instruction	37,446,895	37,494,847
Instructional resources and media services	734,292	757,608
Curriculum and staff development	1,559,713	1,614,646
School leadership	3,368,594	3,516,285
Guidance, counseling, and evaluation services	2,117,160	2,408,178
Social work services	90,712	83,258
Health services	738,941	851,870
Student transportation	1,946,837	1,860,784
Food service	2,755,865	2,816,920
Extracurricular activities	3,825,596	3,874,752
General administration	1,530,683	1,674,477
Facilities maintenance and operations	10,936,005	13,942,503
Security and monitoring services	803,306	738,083
Data processing services	1,115,126	1,375,789
Community services	5,000	8,284
Interest and fiscal charges for long term debt	4,722,513	4,761,484
Debt issuance costs and fees	3,300	396,192
Facilities acquisition and construction	2,650	-
Payments to Juvenile Justice		
Alternative Education Programs	50,155	50,155
Other governmental charges	337,039	427,808
Total Expenses	74,090,382	78,653,923
Increase (Decrease) in Net Position	339,537	508,584
Beginning Net Position (as Originally Presented)	37,873,441	37,364,857
Restatements	786,687	-
Beginning Net Position (as Restated)	38,660,128	37,364,857
Ending Net Position	\$ 38,999,665	\$ 37,873,441

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Revenues are generated primarily from three sources. Property taxes, state aid – formula grants, and operating grants and contributions represent 49%, 34%, and 9% of total revenues, respectively. The remaining 8% is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expense of the District is instruction, which represents 51% of total expenses. Plant maintenance and operations represents 15% of total expenses and interest on long-term debt represents 6% of total expenses. The remaining individual functional categories of expense are each 5% or less of total expenses.

Financial Analysis of the Government's Funds

As mentioned 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 the end of the period, the District's governmental funds had combined ending fund balances of \$24,309,565, an increase of \$3,065,866 from the prior period.

The general fund is the primary operating fund of the District. At period end, unassigned fund balance of the general fund was \$14,427,078 while total fund balance was \$15,656,246. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 23% percent of total general fund expenditures, while total fund balance represents 25% percent of that same total. The fund balance of the general fund increased \$1,181,711 during the fiscal year.

The debt service fund had a total fund balance of \$6,694,338, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased \$1,991,634 during the fiscal year, property tax revenues exceeding expenditures for regularly scheduled principal and interest payments.

Proprietary Funds. The District's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

The internal service fund is used to account for the District's self-funded Workers' Compensation Insurance Fund. The fund experienced an increase of \$472,099 in net position resulting in a balance of \$1,854,023 on August 31, 2025.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

General Fund Budgetary Highlights

Over the course of the year, District personnel recommended, and the Board of Trustees approved, revisions to budgeted appropriations. Revisions to appropriations were necessary due to changes in spending needs over the course of the year. Appropriations increased by \$58,288 during the year.

The District's general fund balance of \$15,656,246 differs from the final budgetary fund balance of \$8,885,744 reported in the budgetary comparison schedule primarily due to loan proceeds of \$8,859,917 exceeding related project expenditures of \$3,678,352 by \$5,181,565.

Capital Assets and Long-term Liabilities

Capital Assets. The District's investment in capital assets for its governmental activities as of August 31, 2025 was \$228,963,541 (net of accumulated depreciation and amortization). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, right-to-use assets, and construction in progress. The increase in net capital assets for the current fiscal year was \$3,847,668 .

Port Neches-Groves Independent School District's Capital Assets

	August 31, 2025	August 31, 2024
Land	\$ 2,108,614	\$ 2,108,614
Buildings and improvements	268,080,558	268,080,558
Infrastructure	3,640,311	3,528,867
Furniture and equipment	27,917,147	23,105,249
Vehicles	5,477,471	5,223,393
Right-to-use assets	602,697	602,697
	<u>307,826,798</u>	<u>302,649,378</u>
Accumulated depreciation and amortization	(78,863,257)	(69,838,169)
Governmental Capital Assets, Net	<u>\$ 228,963,541</u>	<u>\$ 232,811,209</u>

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

Long-term Liabilities

At the end of the current fiscal year, the District had \$171,175,000 in outstanding bonded debt, a decrease of \$8,110,000 over the previous year, which resulted primarily from scheduled principal payments. The District's bonds are sold with an "Aaa" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program. The underlying rating of the bonds from Standard from Moody's Investors Service is "Aa3" for general obligation debt.

Outstanding 09/01/24	Issued	Retired	Outstanding 08/31/25
<u>\$ 179,285,000</u>	<u>\$ -</u>	<u>\$ (8,110,000)</u>	<u>\$ 171,175,000</u>

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

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors and Next Year's Budgets and Rates

The General Fund Budget for fiscal year 2026 was approved by the Board of Trustees (the Board) on August 29, 2025. The approved Budget includes \$60.4 million in revenues and \$62.2 million in operating expenditures with a net deficit of \$1.7 million.

The Board adopted a total tax rate of \$1.141888 on August 29, 2025. The maintenance and operations tax rate of \$0.7705 will generate \$24.7 million in estimated revenue for the General Fund. The adopted tax rate for maintenance and operations of \$0.7705 is less than the prior year.

The fiscal year 2025–26 budget includes total expenditures of \$62.2 million, which provide for salary increases for teachers, as well as other professional and hourly staff, totaling approximately \$3,198,965.46. Additionally, the 2025–26 Hiring Schedule adds 16 new positions.

The 2025 Debt Service adopted Budget assumes a tax rate of \$0.371388. The tax rate adopted by the Board on August 29, 2025 stayed the same as of the previous year.

The District will continue to refine budget estimates, project actual operating results, develop strategies to provide educational services efficiently and effectively, and monitor state legislation affecting school district funding.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Manager at the Port Neches-Groves Independent School District, 620 Avenue C, Port Neches, Texas 77651.



BASIC FINANCIAL STATEMENTS



PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2025
Exhibit A-1

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	\$ 2,867,706
1120	Current investments	24,146,954
1225	Property taxes receivables, net	1,058,195
1240	Due from other governments	3,138,927
1290	Other receivables, net	26,416
1300	Inventories	71,110
1410	Prepaid items	1,229,168
1490	Other current assets	7,000
	Capital assets not subject to depreciation and amortization:	
1510	Land	2,108,614
	Capital assets net of depreciation and amortization:	
1520	Buildings and improvements, net	207,801,168
1530	Furniture and equipment, net	18,990,562
1550	Right-to-use assets, net	63,197
1000	Total Assets	261,509,017
	Deferred Outflows of Resources	
	Deferred charge on refunding	3,201,039
	Deferred outflows - pension	4,290,311
	Deferred outflows - OPEB	5,339,358
1700	Total Deferred Outflows of Resources	12,830,708
	Liabilities	
2110	Accounts payable	1,308,105
2140	Interest payable	142,471
2150	Payroll deductions and withholdings	460,605
2160	Accrued wages payable	3,005,900
2180	Due to other governments	123,023
2200	Accrued expenses	133,325
2300	Unearned revenue	292,734
	Noncurrent Liabilities:	
2501	Due within one year	8,202,754
2502	Due in more than one year	182,530,232
2540	Net pension liability	15,002,215
2545	Net OPEB liability	10,296,926
2000	Total Liabilities	221,498,290
	Deferred Inflows of Resources	
	Deferred inflows - pension	2,300,370
	Deferred inflows - OPEB	11,541,400
2600	Total Deferred Inflows of Resources	13,841,770
	Net Position (Deficit)	
3200	Net investment in capital assets	42,455,664
	Restricted for:	
3820	Federal and state programs	1,171,181
3850	Debt service	6,838,362
3900	Unrestricted	(11,465,542)
3000	Total Net Position (Deficit)	\$ 38,999,665

See notes to the financial statements.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2025

Exhibit B-1

Page 1 of 2

Data Control Codes	Functions/Programs	Expenses	Program Revenue	
			Charges for Services	Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 37,446,895	\$ 92,794	\$ 2,693,908
12	Instructional resources and media services	734,292	-	13,177
13	Curriculum and staff development	1,559,713	-	87,758
23	School leadership	3,368,594	-	86,504
31	Guidance, counseling, and evaluation services	2,117,160	-	273,047
32	Social work services	90,712	-	2,803
33	Health services	738,941	-	28,725
34	Student transportation	1,946,837	-	26,461
35	Food service	2,755,865	1,147,643	1,855,988
36	Extracurricular activities	3,825,596	1,785,149	40,144
41	General administration	1,530,683	-	32,443
51	Facilities maintenance and operations	10,936,005	9,155	41,919
52	Security and monitoring services	803,306	-	132,798
53	Data processing services	1,115,126	-	13,454
61	Community services	5,000	-	5,000
72	Interest on long-term debt	4,722,513	-	1,466,170
73	Debt issuance costs and fees	3,300	-	-
81	Facilities repairs	2,650	-	-
95	Payments to Juvenile Justice Alternative Education Programs	50,155	-	-
99	Other intergovernmental charges	337,039	-	-
TG	Total Governmental Activities	<u>74,090,382</u>	<u>3,034,741</u>	<u>6,800,299</u>
TP	Total Primary Government	<u>\$ 74,090,382</u>	<u>\$ 3,034,741</u>	<u>\$ 6,800,299</u>

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2025

Exhibit B-1

Page 2 of 2

Data Control Codes	Functions/Programs	Net (Expense) and Changes in Net Position
		Primary Government
		Governmental Activities
	Governmental Activities:	
11	Instruction	\$ (34,660,193)
12	Instructional resources and media services	(721,115)
13	Curriculum and staff development	(1,471,955)
23	School leadership	(3,282,090)
31	Guidance, counseling, and evaluation services	(1,844,113)
32	Social work services	(87,909)
33	Health services	(710,216)
34	Student transportation	(1,920,376)
35	Food service	247,766
36	Extracurricular activities	(2,000,303)
41	General administration	(1,498,240)
51	Facilities maintenance and operations	(10,884,931)
52	Security and monitoring services	(670,508)
53	Data processing services	(1,101,672)
61	Community services	-
72	Interest on long-term debt	(3,256,343)
73	Debt issuance costs and fees	(3,300)
81	Facilities repairs	(2,650)
95	Payments to Juvenile Justice	
	Alternative Education Programs	(50,155)
99	Other intergovernmental charges	(337,039)
TG	Total Governmental Activities	(64,255,342)
TP	Total Primary Government	(64,255,342)
	General Revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	22,976,691
DT	Property taxes, levied for debt service	13,478,538
SF	State-aid formula grants	25,008,983
IE	Investment earnings	1,215,642
MI	Miscellaneous	1,915,025
TR	Total General Revenues	64,594,879
CN	Change in net position	339,537
NB	Net Position - Beginning (as Originally Presented)	37,873,441
PA	Restatements	786,687
	Net Position - Beginning (as Restated)	38,660,128
NE	Net Position - Ending	\$ 38,999,665

See notes to the financial statements.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
Exhibit C-1
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2025

Data Control Codes		General Fund	Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets					
1110	Cash and cash equivalents	\$ -	\$ 1,270	\$ 2,073,002	\$ 2,074,272
1120	Investments	17,345,307	6,801,647	-	24,146,954
	Receivables:				
1220	Property taxes - delinquent	897,326	333,134	-	1,230,460
1230	Allowance for uncollectible taxes (credit)	(125,626)	(46,639)	-	(172,265)
1240	Due from other governments	2,433,856	-	705,071	3,138,927
1260	Due from other funds	460,331	-	-	460,331
1290	Other receivables	10,346	14,444	1,626	26,416
1300	Inventories	-	-	71,110	71,110
1410	Prepaid items	1,229,168	-	-	1,229,168
1490	Other current assets	7,000	-	-	7,000
1000	Total Assets	\$ 22,257,708	\$ 7,103,856	\$ 2,850,809	\$ 32,212,373
Liabilities, Deferred Inflows and Fund Balances					
Liabilities:					
2110	Accounts payable	\$ 1,138,668	\$ -	\$ 169,250	\$ 1,307,918
2150	Payroll deductions and withholdings payable	444,232	-	16,373	460,605
2160	Accrued wages payable	2,845,299	-	160,601	3,005,900
2170	Due to other funds	1,082,211	-	460,331	1,542,542
2180	Due to other governments	-	123,023	-	123,023
2200	Accrued expenditure	111,891	-	-	111,891
2300	Unearned revenue	207,461	-	85,273	292,734
2000	Total Liabilities	5,829,762	123,023	891,828	6,844,613
Deferred Inflows of Resources:					
	Unavailable revenue - property taxes	771,700	286,495	-	1,058,195
2600	Total Deferred Inflows of Resources	771,700	286,495	-	1,058,195
Fund Balances:					
Nonspendable:					
3410	Inventories	-	-	71,110	71,110
3430	Prepaid items	1,229,168	-	-	1,229,168
Restricted:					
3450	Grant restrictions	-	-	1,126,146	1,126,146
3480	Debt service	-	6,694,338	-	6,694,338
Committed:					
3545	Activity funds	-	-	761,725	761,725
3600	Unassigned	14,427,078	-	-	14,427,078
3000	Total Fund Balances	15,656,246	6,694,338	1,958,981	24,309,565
4000	Total Liabilities, Deferred Inflows and Fund Balances	\$ 22,257,708	\$ 7,103,856	\$ 2,850,809	\$ 32,212,373

See notes to the financial statements.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT*Exhibit C-1R***RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION****August 31, 2025**

Data Control Codes		
	Total Fund Balance, Governmental Funds	\$ 24,309,565
	Amounts reported for governmental activities in the statement of net position are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation and amortization, where applicable.	228,963,541
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	1,058,195
3	Deferred charge on refunding	3,201,039
4	Deferred inflows relating to pension activities	(2,300,370)
5	Deferred inflows relating to OPEB activities	(11,541,400)
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
6	General obligation bonds	(171,175,000)
7	Premium/Discount on issuance	(8,231,644)
8	Leases payable	(2,754)
9	Loan payable	(10,299,518)
10	Accrued compensated absences	(1,024,070)
11	Accrued interest payable	(142,471)
12	Net pension liability	(15,002,214)
13	Net OPEB liability	(10,296,926)
14	Deferred outflows relating to pension activities	4,290,311
15	Deferred outflows relating to OPEB activities	5,339,358
16	Addition of Internal Service fund net position	1,854,023
29	Total Net Position - Governmental Activities	\$ 38,999,665

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
Exhibit C-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Data Control Codes		General Fund	Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
5700	Local, intermediate, and out-of-state	\$ 26,239,808	\$ 13,821,925	\$ 2,552,507	\$ 42,614,240
5800	State program revenues	28,058,770	1,466,170	455,973	29,980,913
5900	Federal program revenues	14,583	-	3,693,946	3,708,529
5020	Total Revenues	54,313,161	15,288,095	6,702,426	76,303,682
Expenditures					
Current:					
0011	Instruction	33,248,204	-	1,940,911	35,189,115
0012	Instruction resources and media services	663,928	-	-	663,928
0013	Curriculum and instructional staff development	1,336,955	-	69,434	1,406,389
0023	School leadership	3,113,529	-	-	3,113,529
0031	Guidance, counseling and evaluation services	1,758,283	-	213,035	1,971,318
0032	Social work services	85,828	-	-	85,828
0033	Health services	662,378	-	-	662,378
0034	Student transportation	2,009,819	-	-	2,009,819
0035	Food services	-	-	3,124,413	3,124,413
0036	Extracurricular activities	2,375,611	-	1,322,536	3,698,147
0041	General administration	1,388,553	-	-	1,388,553
0051	Facilities maintenance and operations	9,342,120	-	-	9,342,120
0052	Security and monitoring services	604,703	-	132,084	736,787
0053	Data processing services	1,243,273	-	-	1,243,273
0061	Community services	-	-	5,000	5,000
Debt Service:					
0071	Principal on long-term debt	90,978	8,110,000	-	8,200,978
0072	Interest on long-term debt	1,501	5,183,161	-	5,184,662
0073	Debt service costs and fees	-	3,300	-	3,300
Capital Outlay:					
0081	Facilities acquisition and construction	3,678,352	-	2,650	3,681,002
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Education Program	50,155	-	-	50,155
0099	Other intergovernmental charges	337,039	-	-	337,039
6030	Total Expenditures	61,991,209	13,296,461	6,810,063	82,097,733
1100	Excess (deficiency) of revenues over expenditures	(7,678,048)	1,991,634	(107,637)	(5,794,051)
Other Financing Sources (Uses)					
7914	Loans issued	8,859,917	-	-	8,859,917
7915	Transfers in	-	-	158	158
8911	Transfers out	(158)	-	-	(158)
7080	Total Other Financing Sources (Uses)	8,859,759	-	158	8,859,917
1200	Net change in fund balances	1,181,711	1,991,634	(107,479)	3,065,866
0100	Fund Balance - Beginning	21,215,997	4,702,704	1,396,725	27,315,426
1300	Restatement	(6,741,462)	-	669,735	(6,071,727)
	Fund Balance - Beginning (as Restated)	14,474,535	4,702,704	2,066,460	21,243,699
3000	Fund Balance - Ending	\$ 15,656,246	\$ 6,694,338	\$ 1,958,981	\$ 24,309,565

See notes to the financial statements.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT**Exhibit C-2R**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2025**

**Data
Control
Codes**

Net Change in Fund Balances - Total Governmental Funds (from C-2)		\$ 3,065,866
Amounts reported for governmental activities in the statement of activities (B-1) are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. This is the amount by which depreciation and amortization exceeded capital outlays in the current period.		
1	Capital Outlay	5,177,420
2	Depreciation and amortization expense	(9,025,088)
3	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	6,397
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
4	Principal paid on bonds	8,110,000
5	Principal paid on leases	90,708
6	Issuance of loans	(8,859,917)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
7	Changes in pension liabilities and related deferred outflows and inflows of resources	(522,466)
8	Changes in OPEB liabilities and related deferred outflows and inflows of resources	1,670,140
9	Decrease in interest payable not recognized in fund statements	90,635
10	Amortization of premium/discount	764,751
11	Amortization of deferred (loss) gain on refunded bonds, net	(392,967)
12	Change in compensated absences payable	(308,041)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities (see D-2).		
13		472,099
Change in Net Position of Governmental Activities (see B-1)		\$ 339,537

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT*Exhibit D-1***STATEMENT OF NET POSITION****PROPRIETARY FUND****August 31, 2025**

	Internal Service Fund Workers' Compensation Insurance Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 793,434
Due from other funds	<u>1,082,211</u>
Total Assets	<u>1,875,645</u>
Liabilities	
Current Liabilities:	
Accounts payable	188
Accrued expenses	<u>21,434</u>
Total Liabilities	<u>21,622</u>
Net Position	
Unrestricted net position	<u>1,854,023</u>
Total Net Position	<u><u>\$ 1,854,023</u></u>

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended August 31, 2025

Exhibit D-2

	Internal Service Fund Workers' Compensation Insurance Fund
Operating Revenues	
Local and intermediate sources	\$ 525,303
Total Operating Revenues	525,303
Operating Expenses	
Other operating expenses	53,204
Total Operating Expenses	53,204
Change in Net Position	472,099
Net Position - Beginning	1,381,924
Net Position - Ending	\$ 1,854,023

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT*Exhibit D-3***STATEMENT OF CASH FLOWS****PROPRIETARY FUND****For the Year Ended August 31, 2025**

	Internal Service Fund Workers' Compensation Insurance Fund
Cash Flows from Operating Activities:	
Cash receipts from quasi-external operating activities with other funds	\$ (556,908)
Cash payments to suppliers and service providers	(53,016)
Net Cash Provided by Operating Activities	(609,924)
Net Increase (Decrease) in Cash and Cash Equivalents	(609,924)
Cash and Cash Equivalents at Beginning of Year	1,403,358
Cash and Cash Equivalents at End of Year	\$ 793,434
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 472,099
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
Decrease (increase) in interfund receivables	(1,082,211)
Increase (decrease) in accounts payable	188
Net Cash Provided by (Used for) Operating Activities	\$ (609,924)

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT*Exhibit E-1***STATEMENT OF FIDUCIARY NET POSITION****August 31, 2025**

	Private-Purpose Trust Fund	Custodial Fund Student Activity
Assets		
Cash and cash equivalents	\$ -	\$ 84,924
Restricted assets	22,026	-
Total Assets	<u>22,026</u>	<u>84,924</u>
Liabilities	-	-
Total Liabilities	<u>-</u>	<u>-</u>
Net Position		
Held in Trust	22,026	-
Restricted for:		
Other purposes	-	84,924
Total Net Position	<u>\$ 22,026</u>	<u>\$ 84,924</u>

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended August 31, 2025

Exhibit E-2

	Private-Purpose Trust Fund	Custodial Fund Student Activity
Additions		
Bequests	\$ -	\$ -
Student fundraising activities	-	114,954
Total Additions	-	114,954
Deductions		
Athletic facilities improvements	-	-
Cocurricular/Extracurricular Activities	-	115,844
Total Deductions	-	115,844
Change in net position	-	(890)
Net Position Beginning of Year	22,026	303,534
Restatement	-	(217,720)
Net Position Beginning of Year (as Restated)	22,026	85,814
Net Position End of Year	\$ 22,026	\$ 84,924

Note 1 - Summary of Significant Accounting Policies

Port Neches-Groves Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees that is elected by registered voters of the District. The District prepares its basic financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) Financial Accountability System Resource Guide (FASRG) and the requirements of contracts and grants of agencies from which it receives funds. The following is a summary of the significant accounting policies of the District.

Reporting Entity

The District's Board of Trustees (the "Board") has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; therefore, the District is not included in any other governmental reporting entity. There are no component units, entities for which the District is considered to be financially accountable, included within the reporting entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* generally are financed by taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements are presented for each fund category—governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

Note 1 - Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements (continued)

In the fund financial statements, interfund activities between governmental funds and between governmental and proprietary funds appear as due to other funds or due from other funds on the governmental funds balance sheet, fiduciary and proprietary funds statement of net position and as transfers in or transfers out on the governmental funds statement of revenues, expenditures and changes in fund balance and on the proprietary funds statement of revenues, expenses, and changes in net position. While these balances are reported in fund financial statements, as a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Balances and transfers between the funds in governmental activities are eliminated.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is the accounting convention which determines which assets and liabilities are included on the balance sheet of a fund type and whether a fund type's operating statement presents "financial flow" or capital maintenance information.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied. The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 120 days after period end, with the exception of property taxes, which the District considers available if collected within 60 days of year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amounts.

Note 1 - Summary of Significant Accounting Policies (continued)

Fund Accounting

The District's accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows and inflows of resources, fund equity, revenues and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Additionally, the District reports the following fund types:

The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements.

The *special revenue funds* are used to account for resources restricted to, or committed for, specific purposes by a grantor including federally-funded and state-funded grants. These grants are awarded to the District for the purpose of accomplishing specific educational tasks as defined in the grant awards.

The *internal service fund* is a proprietary fund used to account for the District's self-funded Workers' Compensation Insurance Fund.

The *custodial funds* account for assets held by the District for scholarship funds and student organizations and are used to report fiduciary activities that are not required to be reported in a trust under which principal and income benefit individuals, private organizations or other governments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, investment pools, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the District are reported at fair value. The funds of the District must be deposited and invested under the terms of a depository contract, the contents of which are set out in the Depository Contract Law. The depository bank may either place approved pledged securities for safekeeping and trust with the District's agent bank or file a corporate surety bond in an amount sufficient to protect district funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance. The depository cash balances were covered by FDIC insurance and by collateral held by the District's agent in the District's name. The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants*.

Note 1 - Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year. Taxes are levied by the District's Board based on the appraised values established by the Central Appraisal District. Billing and collection of tax levies are performed by the District.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general fund and debt service fund are based upon historical experience in collecting property taxes. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Inventories and Prepaid Items

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, office and instructional supplies, and food service commodities. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Food service commodity inventory is recorded at fair market value on the date received. Commodity inventory items are recorded as expenditures when distributed to user locations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Intangible right-to-use assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Land and construction in progress are not depreciated. The other tangible and intangible property, buildings and improvements, furniture and equipment, right-to-use lease assets, and right-to-use SBITA assets of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	In Years
Buildings	40
Building Improvements	20
Vehicles	3-15
Furniture and Equipment	5-10
Computer Equipment	3-15
Right-to-use Lease Assets	5
Right-to-use Subscription Assets	5

Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

On retirement or death of certain employees, the District pays any accrued sick leave in a lump case payment to such employees or his/her estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments.

Long-term Obligations

In the government-wide financial statements and proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position, deferred amounts related to pension, and deferred amounts related to OPEB. The deferred charge on refunding resulted from the difference between 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. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the District reports deferred amounts related to pension and deferred amounts related to OPEB.

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's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

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

Leases

Lessee: The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Note 1 - Summary of Significant Accounting Policies (continued)

Leases (continued)

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

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

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Net Position and Fund Balances

Port Neches-Groves Independent School District reports fund balances in accordance with GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet. However, if the use of the proceeds from the sale of the inventory is restricted, committed, or assigned, then the applicable amounts are included in the appropriate fund balance classification, rather than nonspendable fund balance.

Restricted fund balance – amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed fund balance – 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. A fund balance commitment is further indicated in the budget document as a commitment of the fund. At August 31, 2025, the District's committed fund balance includes campus activity funds.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The Board has delegated authority to the Superintendent to establish fund balance assignments.

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position and Fund Balances

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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.

Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Financial Accountability System Resource Guide. 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.

Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Implementation of New Accounting Standards

GASB issued Statement No. 101, *Compensated Absences*, was issued in June 2022. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in 2025 and the impact is reflected in the financial statements.

GASB 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 August 31, 2025, and the District implemented the Statement. The Statement did not have a material impact on the financial statements.

Note 2 - Deposits and Investments**Cash Deposits**

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

At August 31, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,943,150 and the bank balance was \$3,255,962. The District's cash deposits at August 31, 2025 and during the year ended August 31, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

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

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

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

Investment Accounting Policy

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 2 - Deposits and Investments (continued)

Investments (continued)

Public Funds Investment Pools

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

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

As of year-end, the District's investments balances and maturity of these investments were as follows:

<u>Investment or Investment Type</u>	<u>Rating</u>	<u>Maturity</u>	<u>Days to Maturity</u>	<u>Fair Value</u>		
Public Funds Money Market	N/A	N/A		\$ 3,703,387	**	15.33%
Government Money Market	N/A	N/A		124,458	**	0.52%
Lone Star Investment Pool	AAAm	***		14,346,145	*	59.40%
Agency and Treasury Securities:						
US Treasury Note 4.25%	N/A	10/15/2025	45	649,950		2.69%
US Treasury Note 4.25%	N/A	1/31/2026	153	960,337		3.98%
US Treasury Note 4.875%	N/A	4/30/2026	242	694,806		2.88%
US Treasury Note 4.375%	N/A	7/31/2026	334	702,871		2.91%
US Treasury Note 4.125%	N/A	10/31/2026	426	652,006		2.70%
US Treasury Note 4.375%	N/A	7/15/2027	683	475,046		1.97%
US Treasury Note 4.125%	N/A	10/31/2027	791	695,095		2.88%
Federal Home Loan Bank 4.875%	AA+	9/12/2025	12	680,073		2.82%
Federal Home Loan Bank 5%	AA+	4/15/2027	592	462,780		1.92%
Total Investments				<u>\$ 24,146,954</u>		<u>100.00%</u>

* Not all assets meeting the definition of an investment are required to be reported at fair value. Included among excepted investments are certain investments held by 2a7-like external investment pools. As detailed above, the District has invested funds in specific 2a7-like external investment pools that are valued at amortized cost and not subject to the fair value hierarchy levels.

** Time deposits at FDIC insured banks are not subject to the fair value

*** Maturity 26 days, this weighted average maturity calculation uses the industry

standard definition of stated maturity for floating rate instruments, the

Note 2 - Deposits and Investments (continued)

Investments (continued)

Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
Exhibit F-1
NOTES TO THE FINANCIAL STATEMENTS (continued)
Note 3 - Receivables

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

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 897,326	\$ 333,134	\$ -	\$ 1,230,460
Due from other governments	2,433,856	-	705,071	3,138,927
Other	10,346	14,444	1,626	26,416
Gross receivables	3,341,528	347,578	706,697	4,395,803
Less allowance for doubtful accounts	(125,626)	(46,639)	-	(172,265)
Net Total Receivables	\$ 3,215,902	\$ 300,939	\$ 706,697	\$ 4,223,538

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. At the end of the current fiscal year, the District reported unearned revenues in the amount of \$666,528.

Note 4 - Capital Assets

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

	Restated Balance September 1, 2024	Additions	Retirements	Balance August 31, 2025
Governmental Capital Assets				
Capital Assets, Not Being Depreciated/Amortized:				
Land	\$ 2,108,614	\$ -	\$ -	\$ 2,108,614
Total Capital Assets, Not Being Depreciated/Amortized	2,108,614	-	-	2,108,614
Capital Assets, Being Depreciated/Amortized:				
Buildings and improvements	268,080,558	-	-	268,080,558
Infrastructure	3,528,867	111,444	-	3,640,311
Furniture and equipment	23,105,249	4,811,898	-	27,917,147
Vehicles	5,223,393	254,078	-	5,477,471
Lease assets:				
Equipment	602,697	-	-	602,697
Total Capital Assets, Being Depreciated/Amortized	300,540,764	5,177,420	-	305,718,184
Less Accumulated Depreciation/Amortization for:				
Buildings and improvements	(55,176,448)	(6,668,307)	-	(61,844,755)
Infrastructure	(1,774,088)	(300,858)	-	(2,074,946)
Furniture and Equipment	(8,622,734)	(1,653,043)	-	(10,275,777)
Vehicles	(3,860,274)	(268,005)	-	(4,128,279)
Lease assets:				
Equipment	(404,625)	(134,875)	-	(539,500)
Total Accumulated Depreciation/Amortization	(69,838,169)	(9,025,088)	-	(78,863,257)
Governmental Capital Assets	\$ 232,811,209	\$ (3,847,668)	\$ -	\$ 228,963,541

Note 4 - Capital Assets (continued)

Depreciation and amortization expense was charged to functions/programs of the District as follows:

Function	Depreciation and Amortization Expense
Governmental Activities:	
Instruction	\$ 4,756,835
Instructional resources and media services	104,985
Curriculum and staff development	227,428
School leadership	479,285
Guidance, counseling and evaluation services	300,710
Social work services	11,247
Health services	113,757
Student transportation	336,322
Extracurricular activities	413,015
General administration	226,178
Plant maintenance and operations	1,706,193
Security and monitoring services	89,943
Data processing services	259,190
Total Governmental Activities	\$ 9,025,088

Note 5 - Interfund Receivables, Payables, and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

The composition of interfund balances as of August 31, 2025, is as follows:

	Interfund Receivable	Interfund Payable	Net
Governmental Funds			
General Fund	\$ 460,331	\$ 1,082,211	\$ (621,880)
Nonmajor Governmental Funds	-	460,331	(460,331)
Total Governmental Funds	460,331	1,542,542	(1,082,211)
Internal Service Fund			
Workers' Comp. Ins. Fund	1,082,211	-	1,082,211
Total Internal Service Fund	1,082,211	-	1,082,211
Total	\$ 1,542,542	\$ 1,542,542	\$ -

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." The following is a summary of the District's transfers for the fiscal year ended August 31, 2025:

Transfer Out	Transfer In	Amount
General Fund	Capital Projects Fund	\$ 158

Note 5 - Interfund Receivables, Payables, and Transfers (continued)

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” During the fiscal year ended August 31, 2025, the District transferred \$158 from the general fund to the capital projects fund to cover operating shortages in the capital projects fund.

Note 6 - Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2025, was as follows:

	Restated Balance* September 1, 2024	Additions	Retirements	Balance August 31, 2025	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 179,285,000	\$ -	\$ (8,110,000)	\$ 171,175,000	\$ 8,200,000
Premium on bonds	8,996,395	-	(764,751)	8,231,644	-
Loans payable*	1,439,601	8,859,917	-	10,299,518	-
Lease liability	93,462	-	(90,708)	2,754	2,754
Compensated absences*	716,029	308,041	-	1,024,070	-
	<u>190,530,487</u>	<u>9,167,958</u>	<u>(8,965,459)</u>	<u>190,732,986</u>	<u>8,202,754</u>
Net pension liability	19,254,020	-	(4,251,805)	15,002,215	-
Net OPEB liability	8,360,458	1,936,468	-	10,296,926	-
	<u>\$ 218,144,965</u>	<u>\$ 11,104,426</u>	<u>\$ (13,217,264)</u>	<u>\$ 216,032,127</u>	<u>\$ 8,202,754</u>

Bonds are payable solely from future revenues of the debt service fund, which consists principally of property taxes collected by the District. Other long-term liabilities are generally liquidated with resources of the general fund.

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. Bonds payable for the year ended August 31, 2025 were as follows:

Issue	Original Issuance Amount	Interest Rate (%)	Issuance Date	Maturity Date	Debt Outstanding
Series 2013	\$ 7,415,000	2.75 to 5.0	10/1/2013	2/15/2032	\$ 2,845,000
Series 2014	9,034,996	2.0 to 4.0	6/1/2014	2/15/2032	2,295,000
Series 2015	9,015,000	2.25 to 4.0	6/1/2015	2/15/2033	4,790,000
Series 2016	38,055,000	3.0 to 4.0	1/1/2016	2/15/2033	23,215,000
Series 2016A	32,360,000	3.0 to 5.0	7/1/2016	2/15/2034	21,425,000
Series 2020	64,225,000	2.0 to 5.0	5/1/2020	2/15/2045	60,150,000
Series 2021	62,045,000	2.0 to 5.0	5/1/2020	2/1/2045	56,455,000
					<u>\$ 171,175,000</u>

Note 6 - Long-Term Liabilities (continued)

General Obligation Bonds

Debt service requirements to maturity are as follows:

Year Ending August 31,	Principal	Interest	Totals
2026	\$ 8,200,000	\$ 4,823,241	\$ 13,023,241
2027	8,300,000	4,458,106	12,758,106
2028	8,515,000	4,105,938	12,620,938
2029	8,605,000	3,787,876	12,392,876
2030	8,770,000	3,486,339	12,256,339
2031 - 2035	43,885,000	12,935,858	56,820,858
2036 - 2040	42,300,000	7,792,831	50,092,831
2041 - 2045	39,500,000	2,875,935	42,375,935
2046 - 2050	3,100,000	32,938	3,132,938
	<u>\$ 171,175,000</u>	<u>\$ 44,299,062</u>	<u>\$ 215,474,062</u>

Loans Payable

The District entered into loan agreements with the Texas Comptroller of Public Accounts to finance energy conservation improvements across its facilities. As of August 31, 2025, disbursements to the District total \$10.3 million with \$1.7 million remaining to disburse. The resulting energy savings are expected to cover the loan repayment costs once the improvements are fully completed. Final loan repayment schedules will be established upon project completion.

Loan Name	Maximum Loan Amount	Interest Rate	Loan Term	Project Completion Date
CL426	\$ 6,034,441	2.00%	13.4 years	3/5/2026
CL428	2,948,400	0.25%	15 years	3/5/2026
CL429	2,990,520	0.25%	15 years	3/5/2026
	<u>\$ 11,973,361</u>			

\$ 1,673,843 Remaining to be disbursed at 8/31/2025

Note 7 - Leases

The District entered a master lease agreements to lease vehicles and copiers for District-wide use. The District recognized a right to use asset in the amount of \$602,697 and lease amount of an equal amount related to these agreements. During the fiscal year, the District recorded \$134,875 in amortization expense and \$1,501 in interest expense. The District used a discount rate of 3.9% on the vehicle expense and 2.4% for the copier lease. The discount rates were based on the risk-free rate published by the United States Treasury as the District has no comparable publicly traded debt. The rates are then adjusted for the specific terms of each lease and the rating of the entity.

Remaining obligations associated with the leases are as follows:

Year Ending			
August 31	Principal	Interest	Total
2026	\$ 2,754	\$ 60	\$ 2,814
	\$ 2,754	\$ 60	\$ 2,814

Note 8 - Revenues from Local, Intermediate, and Out-of-State Sources

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 22,977,276	\$ 13,471,556	\$ -	\$ 36,448,832
Investment Income	865,258	350,369	15	1,215,642
Rent	9,155	-	-	9,155
Co-curricular activities	445,072	-	1,340,077	1,785,149
Food Sales	-	-	1,148,093	1,148,093
Other	1,943,047	-	64,322	2,007,369
	<u>\$ 26,239,808</u>	<u>\$ 13,821,925</u>	<u>\$ 2,552,507</u>	<u>\$ 42,614,240</u>

Note 9 - Pension Plan and Other Post-Employment Benefits

A. Plan Description

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

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

Note 9 - Pension Plan and Other Post-Employment Benefits (continued)

B. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trs.texas.gov/Pages/about_publications.aspx, or by writing to TRS at attention Finance Division, PO BOX 149676, Austin, TX, 78714-0185, or by calling 1-800-223-8778.

C. Benefits Provided

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

One-Time Stipends

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

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

Cost-of-Living Adjustment

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

- 2% COLA for eligible retirees who retired between September 1, 2013 through August 31, 2020.
- 4% COLA for eligible retirees who 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 this manner are determined by the TRS actuary.

D. 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 system during the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Pension Plan and Other Post-Employment Benefits (continued)

D. Contributions (continued)

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 through 2025.

	Contribution Rates	
	September 1, 2024 to August 31, 2025	September 1, 2023 to August 31, 2024
Member	8.25%	8.25%
Non-employer contributing agency	8.25%	8.25%
Employers	8.25%	8.25%

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

	Current Fiscal Year Contributions	
	\$	
Employer (District)		1,439,978
Employee (Member)		3,195,199
Non-employer Contributing Entity		
On-behalf Contributions (State)		2,366,049

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

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

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

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

Note 9 - Pension Plan and Other Post-Employment Benefits (continued)

E. Actuarial Assumptions

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

Component	Result
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 Rate	7.00%
Municipal Bond Rate as of August 2020	3.87% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2123
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

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.

F. Discount Rate

A 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 legislative session. It is assumed that future employer and state contributions will be 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

Note 9 - Pension Plan and Other Post-Employment Benefits (continued)

F. Discount Rate (continued)

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

Asset Class¹	Target Allocation²	Long-Term Expected Geometric Real Rate of Return³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.40%	1.00%
Non-U.S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Absolute Return	0.00%	4.00%	0.00%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources & Infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity	8.00%	4.00%	0.40%
Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag ⁴			-0.70%
Expected Return	100.00%		7.90%

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the fiscal year 2024 policy model.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Pension Plan and Other Post-Employment Benefits (continued)

G. Discount Rate Sensitivity Analysis

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

	Discount Rate		
	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
District's proportional share of the net pension liability	\$ 23,962,338	\$ 15,002,215	\$ 7,578,115

H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions

At August 31, 2025, the District reported a liability of \$15,002,215 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 15,002,215
State's proportionate share that is associated with the District	24,286,595
Total	<u><u>\$ 39,288,810</u></u>

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 employer'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.

At August 31, 2024, the District's proportion of the collective net pension liability was 0.0246% which was a decrease of 0.0350% from its proportion measured as of August 31, 2023.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

The actuarial assumptions and methods are the same as used in the determination of the prior year's Net Pension Liability.

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

Note 9 - Pension Plan and Other Post-Employment Benefits (continued)

H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions (continued)

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation (continued)

For the year ended August 31, 2025, the District recognized pension expense of \$1,961,755. The District also recognized on-behalf pension expense and revenue of \$2,902,654 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 826,902	\$ (117,130)
Changes of assumption	774,596	(103,847)
Net difference between projected and actual earnings on pension plan investments	91,194	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,157,641	(2,079,393)
District contributions subsequent to the measurement date	1,439,978	-
Total	\$ 4,290,311	\$ (2,300,370)

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2026. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Pension Expense Amount
2026	\$ (57,906)
2027	1,566,228
2028	(15,765)
2029	(786,232)
2030	(156,362)
	\$ 549,963

The District will continue to make the required pension contributions based on the statutorily determined rates established by the Teacher Retirement System of Texas (TRS). TRS will apply the District's contributions to the Net Pension Liability on an annual basis. The contributions are paid by the funds that pay the employees' salaries. The General Fund and Special Revenue Funds typically liquidate the net pension liability.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 10 - Defined Other Post-Employment Benefit Plans

A. 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.

B. OPEB 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/Pages/about_publications.aspx, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

C. Benefits Provided

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

D. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee’s pay for fiscal year 2025.

The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	September 1, 2024 to August 31, 2025	September 1, 2023 to August 31, 2024
Member	0.65%	0.65%
Non-employer contributing agency	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding	1.25%	1.25%

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

Contributions for all contributors were as follows:

	Current Fiscal Year Contributions
Employer (District)	\$ 313,505
Employee (Member)	251,744
Non-employer Contributing Entity	
On-behalf Contributions (State)	739,129

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

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

E. Actuarial Assumptions

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

Component	Result
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 claim costs.
Projected Salary Increases	2.95% to 8.95% including inflation
Healthcare Trend Rates	The initial medical trend rate was 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 years.
Election Rates	Normal Retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees: 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

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 updated based on 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: (a) Rates of Mortality, (b) Rates of Retirement, (c) Rates of Termination, (d) Rates of Disability, (e) General Inflation, and (f) Wage Inflation.

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.

F. 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. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source for the rate is the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in the Fidelity "20-Year Municipal GO AA Index", as of August 31, 2024

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

G. Discount Rate Sensitivity Analysis

Discount Rate - The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.87%) in measuring the Net OPEB Liability.

	Discount Rate		
	1% Decrease (2.87%)	Current Rate (3.87%)	1% Increase (4.87%)
District's proportional share of the net OPEB liability	\$ 12,233,229	\$ 10,296,926	\$ 8,732,264

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

At August 31, 2025, the District reported a liability of \$10,296,926 or its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 10,296,926
State's proportionate share that is associated with the District	12,901,908
Total	<u><u>\$ 23,198,834</u></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 through August 31, 2024.

At August 31, 2024, the District's proportion of the collective Net OPEB Liability was 0.0339% which was a decrease of 0.0055% from its proportion measured as of August 31, 2023.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	Healthcare Cost Trend Rate		
	1% Decrease	Current Rate	1% Increase
District's proportional share of the net OPEB liability	\$ 8,385,317	\$ 10,296,926	\$ 12,787,942

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

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (continued)

Changes of Benefit Terms Since the Prior Measurement Date

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

For the year ended August 31, 2025, the District recognized negative OPEB expense of \$1,309,179. The District also recognized negative on-behalf OPEB expense and revenue of \$1,677,010 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,973,575	\$ (5,138,724)
Changes of assumption	1,317,885	(3,359,768)
Net difference between projected and actual earnings on OPEB plan investments	-	(28,835)
Changes in proportion and differences between District contributions and proportionate share of contributions	1,734,393	(3,014,073)
District contributions subsequent to the measurement date	313,505	-
Total	\$ 5,339,358	\$ (11,541,400)

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2026. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	OPEB Expense Amount
2026	\$ (1,577,200)
2027	(1,110,841)
2028	(1,387,611)
2029	(1,064,872)
2030	(609,664)
Thereafter	(765,359)
	\$ (6,515,547)

The District will continue to make the required OPEB contributions based on the statutorily determined rates established by the Teacher Retirement System of Texas (TRS). TRS will apply the District's contributions to the Net OPEB Liability on an annual basis. The contributions are paid by the funds that pay the employees' salaries. These funding sources include the General Fund and Special Revenue funds.

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

I. Medicare Part D

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 August 31, 2025, 2024, and 2023, the subsidy payments received by TRS-Care on-behalf of the District were \$277,500, \$205,161, and \$205,313, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 11 - Litigation and Other Contingencies

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

No reportable litigation was pending against the District at August 31, 2025.

Note 12 - Tax Abatements

The District's Board of Trustees approved several Agreements with multiple companies for Limitations on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended. Each company qualified for a tax limitation agreement under Texas Tax Code 313.024(b)(5), as a manufacturing project.

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

In order to qualify for a value limitation agreement, each applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, each of the agreements were deemed to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the projects. The applications, agreements, and requisite state reporting documentation can be viewed at the Texas Comptroller's website:

<https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>

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

Note 12 - Tax Abatements (continued)

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

Following is the information relating to the agreements at year-end.

Project: Huntsman Petrochemical, LLC (Agreement #267)
 First Year Value Limitation: 2016
 Fiscal Year: 2025/Tax Year 2024

(A) Project Value	(B) Project's Value Limitation Amount	(C) Amount of Applicant's M&O Taxes Paid	(D) Amount of Applicant's M&O Taxes Reduced	(E) Company Revenue Loss Paymt to School District	(F) Company Supplemental Payment To School District	(G) Net Benefit (Loss) to the School District (C+E+F)
\$ 108,139,700	\$ 108,139,700	\$ 860,900	\$ -	\$ -	\$ 88,672	\$ 949,572

Project: Air Liquide Large Industries U.S., LP (Agreement #354)
 First Year Value Limitation: 2017
 Fiscal Year: 2025/Tax Year 2024

(A) Project Value	(B) Project's Value Limitation Amount	(C) Amount of Applicant's M&O Taxes Paid	(D) Amount of Applicant's M&O Taxes Reduced	(E) Company Revenue Loss Paymt to School District	(F) Company Supplemental Payment To School District	(G) Net Benefit (Loss) to the School District (C+E+F)
\$ 73,909,500	\$ 30,000,000	\$ 238,830	\$ 349,564	\$ -	\$ 179,454	\$ 418,284

Project: Port Neches-Groves ISD (Agreement #1029)
 First Year Value Limitation: 2020
 Fiscal Year: 2025/Tax Year 2024

(A) Project Value	(B) Project's Value Limitation Amount	(C) Amount of Applicant's M&O Taxes Paid	(D) Amount of Applicant's M&O Taxes Reduced	(E) Company Revenue Loss Paymt to School District	(F) Company Supplemental Payment To School District	(G) Net Benefit (Loss) to the School District (C+E+F)
\$ 7,032,675,300	\$ 30,000,000	\$ 238,830	\$ 5,593,998	\$ -	\$ 471,200	\$ 710,030

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Exhibit F-1

Note 13 - Restatements of Beginning Balances

During the year ended August 31, 2025, the District identified certain errors affecting previously issued financial statements. In addition, the District implemented a new accounting standard, GASB Statement No. 101, *Compensated Absences*. As a result, the accompanying financial statements for the periods affected have been restated. The table below summarizes the impact of the corrections on the previously reported financial statements and the implementation of a new accounting standard:

	Governmental Activities	General Fund	Nonmajor Governmental Funds	Custodial Fund
Beginning Net Position/Fund Balance, as Previously Reported	\$ 37,873,441	\$ 21,215,997	\$ 1,394,248	\$ 303,534
Adjustment to grant receivables	574,192	-	574,192	-
Adjustment to COVID-19 grant funds	-	(26,075)	26,075	-
Adjustment to activity funds	69,468	-	69,468	(217,720)
Project expenditures recorded as other receivables	-	(8,326,876)	-	-
Recognize ticket sales revenue	171,888	171,888	-	-
GASB 101 implementation	(28,861)	-	-	-
Issuance of loans recorded as other receivables	-	1,439,601	-	-
Total restatements	786,687	(6,741,462)	669,735	(217,720)
Reporting capital projects fund as nonmajor	-	-	2,477	-
Beginning Net Position/Fund Balance, as Restated	<u>\$ 38,660,128</u>	<u>\$ 14,474,535</u>	<u>\$ 2,066,460</u>	<u>\$ 85,814</u>

REQUIRED SUPPLEMENTARY INFORMATION

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
Exhibit G-1
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended August 31, 2025

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget
	Original	Final		
Revenues				
Local, intermediate, and out-of-state	\$ 27,475,299	\$ 27,475,299	\$ 26,239,808	\$ (1,235,491)
State program revenues	26,801,923	26,801,923	28,058,770	1,256,847
Federal program revenues	570,000	570,000	14,583	(555,417)
Total Revenues	54,847,222	54,847,222	54,313,161	(534,061)
Expenditures				
Current:				
Instruction	32,894,070	32,914,087	33,248,204	(334,117)
Instruction resources and media services	683,492	682,492	663,928	18,564
Curriculum and instructional staff development	1,357,976	1,413,592	1,336,955	76,637
School leadership	3,105,241	3,183,130	3,113,529	69,601
Guidance, counseling and evaluation services	2,029,946	2,029,446	1,758,283	271,163
Social work services	72,337	85,193	85,828	(635)
Health services	654,193	654,193	662,378	(8,185)
Student transportation	2,186,725	2,186,725	2,009,819	176,906
Extracurricular activities	2,379,158	2,600,658	2,375,611	225,047
General administration	1,637,491	1,637,491	1,388,553	248,938
Facilities maintenance and operations	10,965,054	10,636,964	9,342,120	1,294,844
Security and monitoring services	617,381	617,381	604,703	12,678
Data processing services	1,289,661	1,289,661	1,243,273	46,388
Debt Service:				
Principal on long-term debt	-	-	90,978	(90,978)
Interest on long-term debt	-	-	1,501	(1,501)
Capital Outlay:				
Facilities, acquisition and construction	-	-	3,678,352	(3,678,352)
Intergovernmental:				
Payments to Juvenile Justice Alternative				
Education Programs	55,000	55,000	50,155	4,845
Other intergovernmental charges	450,000	450,000	337,039	112,961
Total Expenditures	60,377,725	60,436,013	61,991,209	(1,555,196)
Excess (deficiency) of revenues over expenditures	(5,530,503)	(5,588,791)	(7,678,048)	(2,089,257)
Other Financing Sources (Uses)				
Loans issued	-	-	8,859,917	8,859,917
Transfers out	-	-	(158)	(158)
Total Other Financing Sources (Uses)	-	-	8,859,759	8,859,759
Net change in fund balances	(5,530,503)	(5,588,791)	1,181,711	6,770,502
Fund Balance - Beginning	21,215,997	21,215,997	21,215,997	-
Restatement	(6,741,462)	(6,741,462)	(6,741,462)	-
Fund Balance - Beginning (as Restated)	14,474,535	14,474,535	14,474,535	-
Fund Balance - Ending	\$ 8,944,032	\$ 8,885,744	\$ 15,656,246	\$ 6,770,502

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

A. Budgets and Budgetary Accounting

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

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

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

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

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

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

B. Excess of Expenditures Over Appropriations

For the year ended August 31, 2025, expenditures exceeded appropriations in the following functions (the legal level of budgetary control):

11 – Instruction	\$ 334,117
32 – Social work services	635
33 – Health services	8,185
71 – Principal on long-term debt	90,978
72 – Interest on long-term debt	1,501
81 – Facilities, acquisition and construction	3,678,352

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
Exhibit G-2
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN MEASUREMENT YEARS**

	2024	2023	2022	2021	2020
District's proportion of the net pension liability	0.0246%	0.0280%	0.0295%	0.0251%	0.0237%
District's proportionate share of the net pension liability	\$ 15,002,215	\$ 19,254,020	\$ 17,527,540	\$ 6,404,257	\$ 12,673,876
State's proportionate share of the net pension liability associated with the District	24,286,595	27,959,042	24,748,627	11,674,701	25,228,353
Total	\$ 39,288,810	\$ 47,213,062	\$ 42,276,167	\$ 18,078,958	\$ 37,902,229
District's covered payroll (for Measurement Year)	\$ 37,924,663	\$ 38,164,780	\$ 37,029,823	\$ 34,344,338	\$ 33,515,164
District's proportionate share of the net pension liability as a percentage of covered payroll	39.56%	50.45%	47.33%	18.65%	37.82%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.65%	88.79%	75.54%
Plan's net pension liability as a percentage of covered payroll	102.39%	122.32%	112.72%	51.08%	110.36%
	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0251%	0.0261%	0.0256%	0.0244%	0.0245%
District's proportionate share of the net pension liability	\$ 13,027,087	\$ 14,390,909	\$ 8,183,007	\$ 9,206,140	\$ 8,668,660
State's proportionate share of the net pension liability associated with the District	23,576,237	26,767,363	16,320,177	19,557,138	18,673,867
Total	\$ 36,603,324	\$ 41,158,272	\$ 24,503,184	\$ 28,763,278	\$ 27,342,527
District's covered payroll (for Measurement Year)	\$ 30,700,504	\$ 31,508,910	\$ 31,113,436	\$ 29,728,222	\$ 28,227,303
District's proportionate share of the net pension liability as a percentage of covered payroll	42.43%	45.67%	26.30%	30.97%	30.71%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%
Plan's net pension liability as a percentage of covered payroll	114.93%	126.11%	75.93%	92.75%	91.94%

Notes:

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT**Exhibit G-3****SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS****TEACHER RETIREMENT SYSTEM OF TEXAS****LAST TEN FISCAL YEARS**

	2025	2024	2023	2022	2021
Contractually required contributions	\$ 1,439,978	\$ 1,384,729	\$ 1,444,375	\$ 1,374,918	\$ 1,070,613
Contributions in relation to the contractual required contributions	1,439,978	1,384,729	1,444,375	1,374,918	1,070,613
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 38,729,682	\$ 37,924,663	\$ 38,164,780	\$ 37,029,823	\$ 34,344,338
Contributions as a percentage of covered payroll	3.72%	3.65%	3.78%	3.71%	3.12%
	2020	2019	2018	2017	2016
Contractually required contributions	\$ 976,275	\$ 873,522	\$ 875,297	\$ 850,198	\$ 788,279
Contributions in relation to the contractual required contributions	976,275	873,522	875,297	850,198	788,279
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 33,515,164	\$ 30,700,504	\$ 31,508,910	\$ 31,113,436	\$ 29,728,222
Contributions as a percentage of covered payroll	2.91%	2.85%	2.78%	2.73%	2.65%

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
Exhibit G-4
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST EIGHT MEASUREMENT YEARS**

	2024	2023	2022	2021
District's proportion of the net OPEB liability	0.0339%	0.0378%	0.0394%	0.0368%
District's proportionate share of the net OPEB liability	\$ 10,296,926	\$ 8,360,458	\$ 9,443,171	\$ 14,189,648
State's proportionate share of the net OPEB liability associated with the District	12,901,908	10,088,178	11,519,185	19,010,966
Total	\$ 23,198,834	\$ 18,448,636	\$ 20,962,356	\$ 33,200,614
District's covered payroll (for Measurement Year)	\$ 37,924,663	\$ 38,164,780	\$ 37,353,097	\$ 28,652,480
District's proportionate share of the net OPEB liability as a percentage of covered payroll	27.15%	21.91%	25.28%	49.52%
Plan fiduciary net position as a percentage of the total OPEB liability	13.70%	14.94%	11.52%	6.18%
Plan's net OPEB liability as a percentage of covered payroll	67.98%	51.86%	59.10%	100.13%
	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.0357%	0.0363%	0.0381%	0.0361%
District's proportionate share of the net OPEB liability	\$ 13,554,930	\$ 17,172,611	\$ 19,026,897	\$ 15,695,499
State's proportionate share of the net OPEB liability associated with the District	18,214,577	22,818,558	26,775,012	24,594,347
Total	\$ 31,769,507	\$ 39,991,169	\$ 45,801,909	\$ 40,289,846
District's covered payroll (for Measurement Year)	\$ 33,515,164	\$ 30,700,504	\$ 31,508,910	\$ 31,113,436
District's proportionate share of the net OPEB liability as a percentage of covered payroll	40.44%	55.94%	60.39%	50.45%
Plan fiduciary net position as a percentage of the total OPEB liability	4.99%	2.66%	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll	101.46%	135.21%	146.64%	132.55%

Notes:

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

Net OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

Ten years of data should be presented in this schedule but data is unavailable prior to 2017.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT*Exhibit G-5***SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS****TEACHER RETIREMENT SYSTEM OF TEXAS****LAST EIGHT FISCAL YEARS**

	2025	2024	2023	2022
Contractually required contributions	\$ 313,505	\$ 260,707	\$ 305,129	\$ 323,274
Contributions in relation to the contractual required contributions	313,505	260,707	305,129	323,274
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 38,729,682	\$ 37,924,663	\$ 38,164,780	\$ 37,353,097
Contributions as a percentage of covered payroll	0.81%	0.69%	0.80%	0.87%
	2021	2020	2019	2018
Contractually required contributions	\$ 261,580	\$ 259,366	\$ 233,254	\$ 238,317
Contributions in relation to the contractual required contributions	261,580	259,366	233,254	238,317
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 34,344,011	\$ 33,515,164	\$ 30,700,504	\$ 31,508,910
Contributions as a percentage of covered payroll	0.76%	0.77%	0.76%	0.76%

Notes:

Ten years of data should be presented in this schedule but data is unavailable prior to 2018.

The District implemented GASB 75 during fiscal year 2018.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION AND OPEB

Notes to Required Supplementary Pension Information

Changes of Assumptions

Measurement Year 2018: The discount rate changed from 8.0% as of August 31, 2017 to a blended rate of 6.907% as of August 31, 2018. The long-term assumed rate of return changed from 8.0% as of August 31, 2017 to 7.25% as of August 31, 2018. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

Measurement Year 2019: None.

Measurement Year 2020: The state and employer contribution rate changed from 6.8% to 7.5%. The 1.5% public education employer contribution applied to just employers whose employees were not covered by OASDI in 2019 and it changed in 2020 to apply to all public schools, charter schools and regional education centers irrespective of participation in OASDI.

Measurement Year 2021: The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.

Measurement Year 2022: The discount rate changed from 7.25% to 7.00%.

Measurement Year 2023: None.

Measurement Year 2024: None.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION AND OPEB (continued)

Notes to Required Supplementary OPEB Information

Changes of Assumptions

Measurement Year 2018: The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018, updated the health care trend rate assumption, and revised demographic and economic assumptions based on the TRS experience study.

Measurement Year 2019: The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019, lowered the participation rates and updated the health care trend rate assumption.

Measurement Year 2020: The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020, lowered the participation rate assumption for employees who retire after the age of 65, and lowered the ultimate health care trend rate assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.

Measurement Year 2021: The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021.

Measurement Year 2022: The discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022, lowered the participation rates, and updated the healthcare trend rate assumption.

Measurement Year 2023: The discount rate changed from 3.91% as of August 31, 2022 to 4.13% as of August 31, 2023, accompanied by revised demographic and economic assumptions based on the TRS experience study.

Measurement Year 2024: The discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024, the tables used to model the impact of aging on the underlying claims were revised.



OTHER SUPPLEMENTARY INFORMATION

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 1 of 5

		211	224	225	226
Data					
Control					
Codes					
		ESEA Title I, Part	IDEA-Part B,	IDEA-Part B,	IDEA-Part B,
		A	Formula	Preschool	Discretionary
	Assets				
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ 37,413
	Receivables:				
1240	Receivables from other governments	115,038	206,565	5,584	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	\$ 115,038	\$ 206,565	\$ 5,584	\$ 37,413
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ -	\$ 14,889	\$ -	\$ -
2150	Payroll deductions and withholdings payable	4,571	5,028	238	-
2160	Accrued wages payable	48,677	41,750	3,156	-
2170	Due to other funds	61,790	144,898	2,190	-
2300	Unearned revenues	-	-	-	37,413
2000	Total Liabilities	115,038	206,565	5,584	37,413
	Fund Balances:				
	Nonspendable:				
3410	Inventories	-	-	-	-
	Restricted:				
3450	Grant restrictions	-	-	-	-
	Committed:				
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	\$ 115,038	\$ 206,565	\$ 5,584	\$ 37,413

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 2 of 5

		240	244	255	263
Data Control Codes		Child Nutrition Fund	Career and Technical - Basic Grant	ESEA Title II, Part A	Title III, Part A
Assets					
1110	Cash and temporary investments	\$ 1,193,147	\$ -	\$ 7,428	\$ -
	Receivables:				
1240	Receivables from other governments	109,974	225	6,153	18,699
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	71,110	-	-	-
1000	Total Assets	\$ 1,374,231	\$ 225	\$ 13,581	\$ 18,699
Liabilities and Fund Balances					
Liabilities:					
	Current Liabilities:				
2110	Accounts payable	\$ 113,302	\$ -	\$ -	\$ -
2150	Payroll deductions and withholdings payable	5,276	-	1,103	-
2160	Accrued wages payable	54,540	-	12,478	-
2170	Due to other funds	-	225	-	18,699
2300	Unearned revenues	47,860	-	-	-
2000	Total Liabilities	220,978	225	13,581	18,699
Fund Balances:					
Nonspendable:					
3410	Inventories	71,110	-	-	-
Restricted:					
3450	Grant restrictions	1,082,143	-	-	-
Committed:					
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	1,153,253	-	-	-
4000	Total Liabilities and Fund Balances	\$ 1,374,231	\$ 225	\$ 13,581	\$ 18,699

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 3 of 5

		279	281	282	284
		Texas COVID Learning Acceleration Support - ESSER III	Elementary & Secondary School Emergency Relief Fund II - CRRSA Act	American Rescue Plan (ESSER III)	IDEA-Part B Formula - American Rescue Plan
Data Control Codes					
	Assets				
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
	Receivables:				
1240	Receivables from other governments	-	-	-	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2150	Payroll deductions and withholdings payable	-	-	-	-
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	-	-	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Fund Balances:				
	Nonspendable:				
3410	Inventories	-	-	-	-
	Restricted:	-	-	-	-
3450	Grant restrictions	-	-	-	-
	Committed:	-	-	-	-
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 4 of 5

		289	410	429	461
Data Control Codes		Federally Funded Special Revenue Funds	State Textbook Fund	State Funded Special Revenue Funds	Campus Activity Funds
Assets					
1110	Cash and temporary investments	\$ -	\$ 30,912	\$ -	\$ 761,725
	Receivables:				
1240	Receivables from other governments	6,575	10,147	226,111	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	\$ 6,575	\$ 41,059	\$ 226,111	\$ 761,725
Liabilities and Fund Balances					
Liabilities:					
	Current Liabilities:				
2110	Accounts payable	\$ -	\$ 41,059	\$ -	\$ -
2150	Payroll deductions and withholdings payable	157	-	-	-
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	6,418	-	226,111	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	6,575	41,059	226,111	-
Fund Balances:					
Nonspendable:					
3410	Inventories	-	-	-	-
	Restricted:	-	-	-	-
3450	Grant restrictions	-	-	-	-
	Committed:	-	-	-	-
3545	Other purposes	-	-	-	761,725
3000	Total Fund Balances	-	-	-	761,725
4000	Total Liabilities and Fund Balances	\$ 6,575	\$ 41,059	\$ 226,111	\$ 761,725

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 5 of 5

		499	699	
Data Control Codes			Capital Projects Fund	Total Nonmajor Governmental Funds
Assets				
1110	Cash and temporary investments	\$ 42,377	\$ -	\$ 2,073,002
Receivables:				
1240	Receivables from other governments	-	-	705,071
1260	Due from other funds	-	-	-
1290	Other receivables	1,626	-	1,626
1300	Inventories	-	-	71,110
1000	Total Assets	\$ 44,003	\$ -	\$ 2,850,809
Liabilities and Fund Balances				
Liabilities:				
Current Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ 169,250
2150	Payroll deductions and withholdings payable	-	-	16,373
2160	Accrued wages payable	-	-	160,601
2170	Due to other funds	-	-	460,331
2300	Unearned revenues	-	-	85,273
2000	Total Liabilities	-	-	891,828
Fund Balances:				
Nonspendable:				
3410	Inventories	-	-	71,110
Restricted:				
3450	Grant restrictions	44,003	-	1,126,146
Committed:				
3545	Other purposes	-	-	761,725
3000	Total Fund Balances	44,003	-	1,958,981
4000	Total Liabilities and Fund Balances	\$ 44,003	\$ -	\$ 2,850,809

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit H-2

Page 1 of 5

		211	224	225	226
Data					
Control					
Codes					
	Revenues	ESEA Title I, Part A	IDEA-Part B, Formula	IDEA-Part B, Preschool	IDEA-Part B, Discretionary
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	613,249	961,643	30,698	-
5020	Total Revenues	613,249	961,643	30,698	-
	Expenditures				
	Current:				
0011	Instruction	583,991	747,608	30,698	-
0013	Curriculum and instructional staff development	24,258	1,000	-	-
0031	Guidance, counseling and evaluation services	-	213,035	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0061	Community services	5,000	-	-	-
	Capital outlay:				
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	613,249	961,643	30,698	-
1100	Excess (deficiency) of revenues over expenditures	-	-	-	-
	Other Financing Sources (Uses)				
7915	Transfers in	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - Beginning, as Originally Presented	(135,309)	(293,023)	(19,787)	-
	Restatement	135,309	293,023	19,787	-
	Fund Balance - Beginning (as Restated)	-	-	-	-
3000	Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit H-2

Page 2 of 5

		240	244	255	263
Data Control Codes		Child Nutrition Fund	Career and Technical - Basic Grant	ESEA Title II, Part A	Title III, Part A
Revenues					
5700	Local, intermediate, and out-of-state	\$ 1,148,093	\$ -	\$ -	\$ -
5800	State program revenues	71,388	-	-	-
5900	Federal program revenues	1,784,733	56,287	156,183	64,926
5020	Total Revenues	3,004,214	56,287	156,183	64,926
Expenditures					
Current:					
0011	Instruction	-	51,317	156,183	61,526
0013	Curriculum and instructional staff development	-	4,970	-	3,400
0031	Guidance, counseling and evaluation services	-	-	-	-
0035	Food service	3,124,413	-	-	-
0036	Extracurricular activities	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0061	Community services	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	3,124,413	56,287	156,183	64,926
1100	Excess (deficiency) of revenues over expenditures	(120,199)	-	-	-
Other Financing Sources (Uses)					
7915	Transfers in	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net change in fund balances	(120,199)	-	-	-
0100	Fund Balance - Beginning, as Originally Presented	1,273,452	(225)	(15,143)	(11,076)
	Restatement	-	225	15,143	11,076
	Fund Balance - Beginning (as Restated)	1,273,452	-	-	-
3000	Fund Balance - Ending	\$ 1,153,253	\$ -	\$ -	\$ -

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit H-2

Page 3 of 5

Data Control Codes		279	281	282	284
		Texas COVID Learning Acceleration Support - ESSER III	Elementary & Secondary School Emergency Relief Fund II - CRRSA Act	American Rescue Plan (ESSER III)	IDEA-Part B Formula - American Rescue Plan
	Revenues				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	-	-	-	-
5020	Total Revenues	-	-	-	-
	Expenditures				
	Current:				
0011	Instruction	-	-	-	-
0013	Curriculum and instructional staff development	-	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0061	Community services	-	-	-	-
	Capital outlay:				
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	-	-	-	-
1100	Excess (deficiency) of revenues over expenditures	-	-	-	-
	Other Financing Sources (Uses)				
7915	Transfers in	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - Beginning, as Originally Presented	(2,294,062)	515	2,293,919	(26,447)
	Restatement	2,294,062	(515)	(2,293,919)	26,447
	Fund Balance - Beginning (as Restated)	-	-	-	-
3000	Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit H-2

Page 4 of 5

		289	410	429	461
Data Control Codes		Federally Funded Special Revenue Funds	State Textbook Fund	State Funded Special Revenue Funds	Campus Activity Funds
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ 1,340,077
5800	State program revenues	-	252,501	132,084	-
5900	Federal program revenues	26,227	-	-	-
5020	Total Revenues	<u>26,227</u>	<u>252,501</u>	<u>132,084</u>	<u>1,340,077</u>
Expenditures					
Current:					
0011	Instruction	569	252,501	-	-
0013	Curriculum and instructional staff development	25,658	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	1,322,536
0052	Security and monitoring services	-	-	132,084	-
0061	Community services	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	<u>26,227</u>	<u>252,501</u>	<u>132,084</u>	<u>1,322,536</u>
1100	Excess (deficiency) of revenues over expenditures	-	-	-	17,541
Other Financing Sources (Uses)					
7915	Transfers in	-	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	-	-	-	17,541
0100	Fund Balance - Beginning, as Originally Presented	(7,514)	4,362	(96,477)	674,716
	Restatement	7,514	(4,362)	96,477	69,468
	Fund Balance - Beginning (as Restated)	-	-	-	744,184
3000	Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 761,725</u>

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit H-2

Page 5 of 5

	499	699	
	Local	Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues			
Local, intermediate, and out-of-state	\$ 64,322	\$ 15	\$ 2,552,507
State program revenues	-	-	455,973
Federal program revenues	-	-	3,693,946
Total Revenues	<u>64,322</u>	<u>15</u>	<u>6,702,426</u>
Expenditures			
Current:			
Instruction	56,518	-	1,940,911
Curriculum and instructional staff development	10,148	-	69,434
Guidance, counseling and evaluation services	-	-	213,035
Food service	-	-	3,124,413
Extracurricular activities	-	-	1,322,536
Security and monitoring services	-	-	132,084
Community services	-	-	5,000
Capital outlay:			
Facilities acquisition and construction	-	2,650	2,650
Total Expenditures	<u>66,666</u>	<u>2,650</u>	<u>6,810,063</u>
Excess (deficiency) of revenues over expenditures	<u>(2,344)</u>	<u>(2,635)</u>	<u>(107,637)</u>
Other Financing Sources (Uses)			
Transfers in	-	158	158
Total Other Financing Sources (Uses)	<u>-</u>	<u>158</u>	<u>158</u>
Net change in fund balances	(2,344)	(2,477)	(107,479)
Fund Balance - Beginning, as Originally Presented	46,347	2,477	1,396,725
Restatement	-	-	669,735
Fund Balance - Beginning (as Restated)	<u>46,347</u>	<u>2,477</u>	<u>2,066,460</u>
Fund Balance - Ending	<u>\$ 44,003</u>	<u>\$ -</u>	<u>\$ 1,958,981</u>



REQUIRED TEA SCHEDULES

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2025

Exhibit J-1

	1	2	3	10	20	31	32	40	50	99
Last Ten Fiscal Years	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes	Beginning Balance 8/31/24	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/25	Total Taxes Refunded Under Section 26.1115(c)
	Maintenance	Debt Service								
2016 and prior	Various	Various	Various	\$ 224,154	\$ -	\$ 8,294	\$ 1,015	\$ (39,085)	\$ 175,760	
2017	\$1.0400	\$0.4044	\$2,416,051,716	42,783	-	2,300	895	-	39,588	
2018	1.1700	0.2744	2,309,528,693	49,393	-	2,291	538	-	46,564	
2019	1.1700	0.2744	2,387,787,055	45,379	-	2,949	692	-	41,738	
2020	1.0684	0.2744	2,664,748,762	60,662	-	8,450	2,171	-	50,041	
2021	1.0547	0.2744	2,707,753,269	69,831	-	9,913	2,707	(1,526)	55,685	
2022	1.0209	0.3550	2,947,299,429	147,514	-	21,870	7,605	(12,626)	105,413	
2023	0.9429	0.3338	3,123,964,718	235,771	-	23,682	8,494	(46,553)	157,042	
2024	0.7961	0.3482	2,419,723,631	347,535	-	(38,649)	(16,903)	(207,117)	195,970	
2025	0.7961	0.3714	2,892,859,468	-	33,773,845	22,782,800	10,628,386	-	362,659	
1000 Totals				<u>\$ 1,223,022</u>	<u>\$ 33,773,845</u>	<u>\$ 22,823,900</u>	<u>\$ 10,635,600</u>	<u>\$ (306,907)</u>	<u>1,230,460</u>	
Total Taxes Receivable Per Exhibit C-1									<u>\$ 1,230,460</u>	
8000 - Taxes Refunded										<u>\$ 38,847</u>

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

Exhibit J-2

BUDGETARY COMPARISON SCHEDULE

CHILD NUTRITION PROGRAM FUND

For the Year Ended August 31, 2025

	Budget		Actual Amounts GAAP Basis	Variance with Final Budget
	Original	Final		
Revenues				
Local, intermediate, and out-of-state	\$ 943,000	\$ 943,000	\$ 1,148,093	\$ 205,093
State program revenues	54,700	54,700	71,388	16,688
Federal program revenues	1,900,930	1,965,930	1,784,733	(181,197)
Total Revenues	<u>2,898,630</u>	<u>2,963,630</u>	<u>3,004,214</u>	<u>40,584</u>
Expenditures				
Food service	2,978,531	3,179,517	3,124,413	55,104
Total Expenditures	<u>2,978,531</u>	<u>3,179,517</u>	<u>3,124,413</u>	<u>55,104</u>
Net change in fund balances	(79,901)	(215,887)	(120,199)	95,688
Fund Balance - Beginning	<u>1,273,452</u>	<u>1,273,452</u>	<u>1,273,452</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,193,551</u>	<u>\$ 1,057,565</u>	<u>\$ 1,153,253</u>	<u>\$ 95,688</u>

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended August 31, 2025

	Budget		Actual Amounts	Variance with
	Original	Final	GAAP Basis	Final Budget
Revenues				
Local, intermediate, and out-of-state	\$ 14,081,216	\$ 14,081,216	\$ 13,821,925	\$ (259,291)
State program revenues	-	-	1,466,170	1,466,170
Total Revenues	<u>14,081,216</u>	<u>14,081,216</u>	<u>15,288,095</u>	<u>1,206,879</u>
Expenditures				
Debt Service:				
Principal on long-term debt	-	8,030,000	8,110,000	(80,000)
Interest on long-term debt	-	5,535,744	5,183,161	352,583
Debt service costs and fees	-	2,500	3,300	(800)
Total Expenditures	<u>-</u>	<u>13,568,244</u>	<u>13,296,461</u>	<u>271,783</u>
Net change in fund balances	14,081,216	512,972	1,991,634	1,478,662
Fund Balance - Beginning	<u>4,702,704</u>	<u>4,702,704</u>	<u>4,702,704</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 18,783,920</u>	<u>\$ 5,215,676</u>	<u>\$ 6,694,338</u>	<u>\$ 1,478,662</u>

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
COMPENSATORY EDUCATION PROGRAM AND BILINGUAL EDUCATION PROGRAM
COMPLIANCE RESPONSES
For the Year Ended August 31, 2025

Exhibit J-4

Data Codes	Section A: Compensatory Education Programs	Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 3,389,001
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30)	\$ 3,328,550
Section B: Bilingual Education Programs		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 353,333
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC 25)	\$ 136,537



PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
For the Year Ended August 31, 2025

Schedule L-1

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

NOTE: This schedule is to be included as part of the annual financial audit report (AFR) submission on the required due date and published as a part of the school district's AFR. This schedule should be submitted in the data feed file and submitted as an Adobe Acrobat portable document file (pdf).



FEDERAL AWARDS SECTION



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

To the Board of Trustees
Port Neches-Groves Independent School District

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 Port Neches-Groves Independent School District (the "District"), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated February 17, 2026.

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 been 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*.

To the Board of Trustees
Port Neches-Groves Independent School District

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

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
February 17, 2026

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees
Port Neches-Groves Independent School District

Report on Compliance for the Major Federal Program

Opinion on Each Major Federal Program

We have audited Port Neches-Groves 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 program for the year ended August 31, 2025. The District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of 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.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item #2025-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

To the Board of Trustees
Port Neches-Groves Independent School District

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #2025-001 to be a significant deficiency.

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

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.

The image shows a handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
February 17, 2026

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2025

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes, #2025-001
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes, #2025-001

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number (ALN)</u>
US Department of Agriculture <i>Child Nutrition Cluster</i>	10.553, 10.555
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Auditee qualified as low risk auditee?	Yes

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2025

Financial Statement Findings

None reported

Federal Awards Findings and Questioned Costs

#2025-001

Federal Program: Child Nutrition Cluster

**Assistance Listing
Numbers:** 10.553, 10.555

**Compliance
Requirement:** I. Procurement and Suspension and Debarment

Type of Finding: Significant Deficiency and Compliance

Criteria: An independent estimate must be completed for every procurement action equal to or above \$250,000, the federal simplified acquisition threshold in effect during fiscal year 2025. This applies even when purchasing through a cooperative or interlocal contract.

The independent estimate must be developed and documented before soliciting or receiving quotes from vendors through the purchasing cooperative.

The documentation should include the estimated cost, the date it was prepared, who prepared it, and the basis for the estimate (e.g., historical data, market research).

It ensures compliance with federal regulations (2 CFR § 200.318(e) and 2 CFR § 200.323) to confirm that the prices offered by the cooperative are reasonable.

Even though purchasing cooperatives perform competitive procurements, the member district is responsible for the independent estimate to ensure the purchasing cooperative's pricing matches the member district's expected market value for the specific purchase.

Condition: During our review of procurement transactions, we noted that the District did not prepare or document an independent cost estimate for a vendor whose expenditures exceeded the simplified acquisition threshold.

Cause: The District was unaware of the requirement to prepare and document an independent estimate for procurements exceeding the simplified acquisition threshold.

Effect: Failure to perform and document the required independent estimates results in noncompliance with federal requirements for procurements exceeding the simplified acquisition threshold. Additionally, without an independent estimate, the District cannot demonstrate that the amount paid was fair and reasonable, increasing the risk of paying more than market value.

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2025

Federal Awards Findings and Questioned Costs (continued)

Questioned Costs:	None reported
Repeat Finding:	No
Recommendation:	We recommend that management: 1. Update procurement policies and procedures to clearly require an independent estimate for all procurements exceeding the simplified acquisition threshold. 2. Implement internal control checkpoints, such as required approvals or system prompts, to ensure that documentation is completed and retained prior to contract award. 3. Provide training to procurement and program staff on Federal procurement standards and documentation requirements. 4. Conduct periodic reviews of procurement files to ensure ongoing compliance and strengthen internal controls.

Views of Responsible Official:	Management concurs with the finding. The District acknowledges that an independent estimate was not documented for the procurement transaction identified. Management is committed to strengthening procurement compliance and improving internal controls to prevent recurrence.
---------------------------------------	---

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2025

Exhibit K-1

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Assistance Listing Number	(2A) Pass Through Entity Identifying Number	(3) Federal Expenditures
U.S. Department of Agriculture			
Passed Through Texas Education Agency:			
<i>National School Breakfast Program</i>	10.553	71402501	\$ 329,426
<i>National School Lunch Program</i>	10.555	71302501	1,262,473
Passed Through Texas Department of Agriculture:			
<i>National School Lunch Program - Non- Cash Assistance</i>	10.555	NT4XL1YGLGC5	180,094
<i>Total Child Nutrition Cluster (ALN 10.553, 10.555)</i>			<u>1,771,993</u>
<i>State Administrative Expense (SAE) Funds</i>	10.560	NT4XL1YGLGC5	12,740
Total U. S. Department of Agriculture			<u>1,784,733</u>
U. S. Department of Education			
Passed Through Texas Education Agency:			
<i>ESEA Title I, Part A - Improving Basic Programs</i>	84.010A	25610101123908	613,249
<i>IDEA - Part B, Formula</i>	84.027A	256600011239086600	961,643
<i>IDEA - Part B, Preschool</i>	84.173A	256610011239086610	30,698
<i>Total Special Education Cluster (ALN 84.027, 84.173)</i>			<u>992,341</u>
<i>Career and Technology - Carl D. Perkins Basic Grant</i>	84.048A	25420006123908	56,287
<i>Title III, Part A - English Language Acquisition Grants</i>	84.365A	25671001123908	64,926
<i>ESEA Title II, Part A - Supporting Effective Instruction State Grant</i>	84.367A	25694501123908	156,183
<i>Summer School LEP</i>	84.369A	69552402	1,363
<i>Title IV, Part A, Subpart 1</i>	84.424A	25680101123908	24,864
Total U. S. Department of Education			<u>1,909,213</u>
Total Expenditures of Federal Awards			<u>\$ 3,693,946</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the fiscal year ended August 31, 2025. The information in this schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule 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 position or cash flows of the District.

The District accounts for all awards under federal programs in the General Fund and certain Special Revenue funds in accordance with the Texas Education Agency's Financial Accountability System Resource Guide. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods. National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation.

Note 2 - De Minimis Cost Rate

The District has elected not to use the 15% de minimis indirect cost rate as allowed under Uniform Guidance.

Note 3 - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and Federal revenues reported on Exhibit C-2:

Total Expenditures of Federal Awards - Exhibit K-1	\$ 3,693,946
SHARS	14,583
Total Federal Revenue - Exhibit C-2	<u>\$ 3,708,529</u>

Note 4 - General Fund Expenditures

Federal Awards reported in the general fund are submitted as follows:

Medicaid SHARS	\$ 14,583
Total Federal Revenue - Exhibit C-2	<u>\$ 14,583</u>

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended August 31, 2025

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

Prior Audit Findings

None reported

PORT NECHES-GROVES INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Year Ended August 31, 2025

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

Corrective Action Plan

#2025-001 Lack of Required Independent Estimate for Procurement Exceeding the Simplified Acquisition Threshold

1. Update Policies and Procedure

Management will revise procurement policies and procedures to clearly require:

- preparation of an independent estimate, and
- completion and documentation of an independent estimate for all procurements exceeding the simplified acquisition threshold.

2. Implement Procurement Control Checkpoints

System-based controls and/or manual review checkpoints will be added to ensure independent estimates are attached before purchase orders or contract awards are approved.

3. Staff Training

Procurement and program staff will receive training on:

- federal procurement requirements (2 CFR 200),
- when independent estimates are required, and
- how to properly prepare and retain the documentation.

4. Ongoing Monitoring and Compliance Review

Management will implement periodic reviews of procurement files to verify compliance with updated policies. Any deficiencies noted will be corrected promptly and used to inform additional training needs.

Responsible Party: Business Manager

Timing for Completion: Within 90 days

