

**NEDERLAND INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2025

**NEDERLAND INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2025**

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CERTIFICATE OF BOARD

Nederland Independent School District
Name of School District

Jefferson
County

123-905
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) **X** approved _____ disapproved for the year ended August 31, 2025, at a meeting of the Board of Trustees of such school district on the 19th day of January, 2026.



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are): (Attach list as necessary.)

January 19, 2026

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Nederland Independent School District
220 N. 17th Street
Nederland, Texas 77627

Members of the Board:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nederland 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, the business-type 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change of Accounting Principle

As discussed in Note 1. D to the basic financial statements, during the year ended August 31, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences—an amendment of GASB Statement No. 16*. Our opinions are not modified with respect to this matter.

Emphasis of Matter – Prior Period Adjustment

As discussed in Note 19 to the financial statements, the District has recorded prior period adjustments to beginning fund balance and net position. To date, the District and its previous auditor have not reissued the financial statements and related independent auditor's report in the fiscal 2024 annual financial report. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 and Required Supplementary Information, as listed in the table of contents (pages 59 through 67), 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 accompanying Supplementary Information (Required TEA Schedules on pages 68 through 72), and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, Supplementary Information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 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.

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNKER, L.L.P.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$30,774,067 at August 31, 2025.
- During the year, the District's expenses were \$4,546,452 less than the \$71,949,614 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$67,403,162.
- The general fund reported a fund balance this year of \$11,304,151.

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 consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

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

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

Figure A-1
Required Components of
Nederland Independent School District's
Annual Financial Report

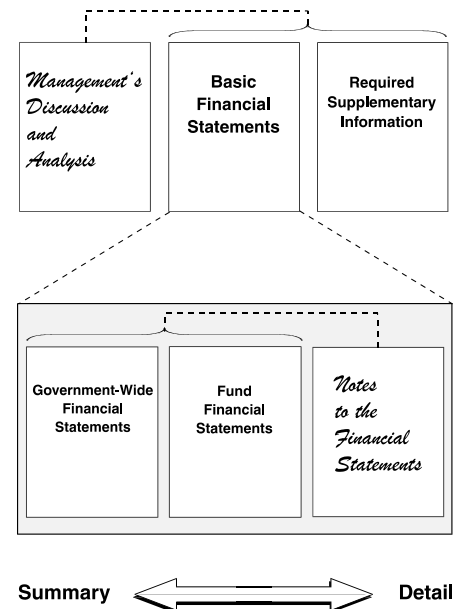


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of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

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

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

Government-wide Statements

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

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base, changes in the District's student population, the makeup of the student population in regards to funding for special programs, and non-funded federal and state mandates.

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information below that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
 - We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities – such as the District's Self-Funded Workers' Compensation Fund.
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

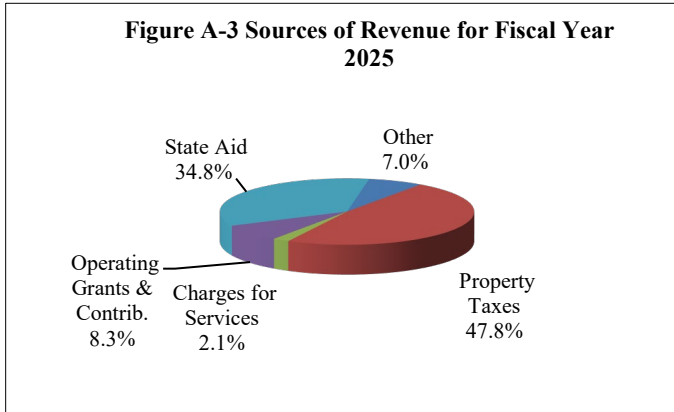
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's *combined* net position was \$30,774,067 at August 31, 2025. (See Table A-1).

Table A-1
The District's Net Position

	Governmental Activities		Percentage Change
	2025	2024	
Current and Other Assets	\$ 34,209,684	\$ 41,092,523	-16.7%
Capital and Non-Current Assets	183,041,182	180,929,025	1.2%
Total Assets	217,250,866	222,021,548	-2.1%
Deferred Outflow of Resources	10,114,773	12,810,657	-21.0%
Current Liabilities	15,255,299	15,990,703	-4.6%
Long Term Liabilities	166,093,742	176,013,399	-5.6%
Total Liabilities	181,349,041	192,004,102	-5.5%
Deferred Inflow of Resources	15,242,531	16,600,488	-8.2%
Net Position:			
Net Investment in Capital Assets	43,423,277	37,898,262	14.6%
Restricted for Debt Service	6,105,946	5,161,438	18.3%
Restricted for Other Programs	67,558	44,371	52.3%
Restricted for State and Federal Programs	779,428	1,123,019	-30.6%
Unrestricted	(19,602,142)	(17,999,475)	8.9%
Total Net Position	\$ 30,774,067	\$ 26,227,615	17.3%

Changes in net position. The District's total revenues were \$71,949,614. A significant portion, 47.8%, of the District's revenue comes from taxes. (See Figure A-3). 34.8% comes from state aid – formula grants, while only 2.1% relate to charges for services.



The total cost of all programs and services was \$67,403,162; 68.9% of these costs are for instructional and student services.

Governmental Activities

Property tax rates decreased to \$0.9669 per \$100 valuation. The total taxes levied increased by \$556,454 due to an increase in appraised value.

Average daily attendance increased by 88 students from 2024 to 2025.

**Table A-2
Changes in the District's Net Position**

	Governmental Activities		Total % Change
	2025	2024	
Revenues:			
<u>Program Revenues</u>			
Charges for Services	\$ 1,495,945	\$ 1,420,712	5.3%
Operating Grants and Contributions	5,939,810	7,325,239	-18.9%
<u>General Revenues</u>			
Property Taxes	34,416,310	32,982,052	4.3%
Investment Earnings	1,464,377	1,460,781	0.2%
State Aid - formula	25,049,242	26,223,714	-4.5%
Other	3,583,930	2,202,486	62.7%
Total Revenues	<u>71,949,614</u>	<u>71,614,984</u>	0.5%
<u>Expenses:</u>			
Instruction and instruction related services	35,793,317	40,988,128	-12.7%
Instructional leadership/school administration	3,560,934	5,168,098	-31.1%
Guidance, social work, health, transportation	4,510,830	5,275,680	-14.5%
Food services	3,816,880	3,355,307	13.8%
Extracurricular activities	2,352,082	2,731,302	-13.9%
General Administration	1,314,137	1,716,425	-23.4%
Plant maintenance and security	10,284,789	11,273,229	-8.8%
Data processing services	1,793,720	1,692,409	6.0%
Community services	188,835	230,689	-18.1%
Debt Service	3,432,630	6,331,889	-45.8%
Shared Services Arrangements	48,350	48,350	0.0%
Other Intergovernmental Charges	306,658	366,791	-16.4%
Total Expenses	<u>67,403,162</u>	<u>79,178,297</u>	-14.9%
Change in Net Position	4,546,452	(7,563,313)	160.1%
Beginning Net Position	26,227,615	29,394,416	-10.8%
Prior Period Adjustment	-	4,396,512	-100.0%
Ending Net Position	<u>\$ 30,774,067</u>	<u>\$ 26,227,615</u>	17.3%

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

- The cost of all *governmental* activities this year was \$67,403,162.
- The amount that our taxpayers paid for these activities through property taxes was \$34,416,310.
- Some of the cost was paid by those who directly benefited from the programs \$1,495,945, or
- By grants and contributions \$5,939,810.

Table A-3
Net Cost of Selected District Functions

	Total cost of Services		% Change	Net Cost of Services		% Change
	2025	2024		2025	2024	
Instruction	\$ 34,486,612	\$ 40,167,872	-14.1%	\$ 31,936,949	\$ 35,890,222	-11.0%
School Leadership	2,671,752	3,364,772	-20.6%	2,637,845	3,364,772	-21.6%
Guidance, Counseling, and Evaluation Services	2,651,372	3,538,893	-25.1%	2,257,535	3,160,571	-28.6%
Student Transportation	1,342,653	1,080,329	24.3%	1,231,552	1,080,329	14.0%
Food Services	3,816,880	3,355,307	13.8%	528,082	90,397	484.2%
Extracurricular Activities	2,352,082	2,731,302	-13.9%	2,001,220	2,393,150	-16.4%
General Administration	1,314,137	1,716,425	-23.4%	1,300,918	1,716,425	-24.2%
Facilities Maintenance and Operations	9,320,020	10,039,266	-7.2%	9,274,020	10,039,266	-7.6%
Security and Monitoring Services	964,769	1,233,963	-21.8%	587,277	1,233,963	-52.4%
Data Processing Services	1,793,720	1,692,409	6.0%	1,783,195	1,692,409	5.4%
Interest on Long-term Debt	3,429,330	6,327,439	-45.8%	3,429,330	6,327,439	-45.8%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$73,394,452 an increase of 4.73% from the preceding year. Local revenues increased by 3.69%. State revenue increased 7.85% and federal revenue decreased 3.74%.

General Fund Budgetary Highlights

- Over the course of the year, the District revised its budget several times. Actual expenditures were \$180,914 below final budget amounts. The most significant variances were Instruction \$304,216 under budget, Guidance, Counseling and Evaluation Services \$228,321 under budget, Data Processing Services \$275,227 over budget, and Principal on Long-Term Liabilities \$199,386 over budget. Actual revenues were \$194,584 above budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the District had invested \$183 million in capital assets, including land, equipment, buildings, vehicles, leases and subscription assets. (See Table A-4). This amount represents a net increase (including additions and adjustments) of 2,112,157 or 1.2% percent above last year.

Table A-4
District's Capital Assets

	Governmental Activities		% Change
	2025	2024	
Land	\$ 3,938,165	\$ 3,938,165	0.0%
Construction in Progress	83,296,628	79,174,622	5.2%
Buildings and Improvements	137,917,200	138,567,200	-0.5%
Furniture and Equipment	10,327,233	9,647,299	7.0%
Right to use - Equipment	-	595,981	-100.0%
SBITA Assets	906,257	-	n/a
Totals at Historical Cost	236,385,483	231,923,267	1.9%
Total Accumulated Depreciation	(53,344,301)	(50,994,242)	4.6%
Net Capital Assets	<u>\$ 183,041,182</u>	<u>\$ 180,929,025</u>	1.2%

Long-Term Debt

At the end of the fiscal year, the District had \$146 million in long-term debt outstanding as shown in Table A-5. The District's TX GO bonds presently carry a Standard & Poors Investor Services rating of AA-.

Table A-5
District's Long-Term Debt

	Governmental Activities		% Change
	2025	2024	
Bonds payable	\$ 130,980,000	\$ 135,515,000	-3.3%
Premium -			
Refunding & building bonds	13,845,027	15,303,849	-9.5%
SBITA liabilities	609,978	-	n/a
Compensated absences	689,427	345,552	99.5%
Total long-term debt	<u>\$ 146,124,432</u>	<u>\$ 151,164,401</u>	-3.3%

More detailed information about the District's debt is presented in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's Board of Trustees and Superintendent considered many factors when setting the 2025-2026 budget tax rate. Factors included the following:

- Local Property Values
- Changes in Enrollment
- Chapter 313 Agreement
- Foreign Trade Zone Payments in Lieu of Taxes
- State Aid Revenue
- Projected Fund Balance at year end
- Staffing and Facility Needs

The District's property values were certified July 21, 2025 with the \$140,000 homestead exemption. The net taxable Maintenance & Operations (M&O) property values decreased overall by approximately 8.28%. Property values decreased in Category A/B Residential \$268.1 million and in Category L Tangible Personal Property by \$197.3 million. Property values increased in Category F Commercial Property \$141.3 million. Under the proposed budget the M&O tax rate will decrease from the rate of \$0.7369/\$100 value to \$0.6669/\$100 value. Based on property values with the proposed tax rate, tax collections will decrease approximately \$3.6 million dollars.

The Interest and Sinking (I&S) proposed tax rate will increase from \$0.23/\$100 value to \$0.231730/\$100 value to meet the Debt Service payments in 2025-2026. It includes a defeasance payment of \$500,000. Overall, the District's tax rate will decrease \$0.06827/\$100 value.

In addition, the District's Chapter 313 agreement with Orbit Gulf Coast NGL Exports, LLC will generate supplemental payment of \$510,910. The District is currently in the value limitation year five of ten with Orbit Gulf Coast NGL Exports, LLC.

State aid increased \$3,403,668 as a result of projected changes in enrollment and average daily attendance. When combined with the projected tax revenue, the District will receive \$10,238 per student in tax and state aid revenue.

Federal revenue budget stayed the same as prior year, which included the Qualified School Construction Bond (QSCB) subsidy in the General Fund Budget in the amount of \$265,000 as well as Medicaid reimbursements of \$115,000.

The General Fund revenue budget increased \$579,526. The General Fund expenditure budget decreased \$665,552.

The District operates a self-supporting Child Nutrition Program within the guidelines of the United States Department of Agriculture (USDA), Texas Department of Agriculture (TDA), and the Texas Education Agency (TEA). The annual budget supports updates and renovations to the District's Child Nutrition Program.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Department.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 3,835,301
1120 Current Investments	21,184,745
1220 Property Taxes - Delinquent	1,633,615
1230 Allowance for Uncollectible Taxes	(245,043)
1240 Due from Other Governments	6,470,845
1290 Other Receivables, Net	51,940
1300 Inventories	96,495
1410 Prepayments	1,181,786
Capital Assets:	
1510 Land	3,938,165
1520 Buildings, Net	90,572,599
1530 Furniture and Equipment, Net	4,549,040
1553 SBITA Assets, Net	684,750
1580 Construction in Progress	83,296,628
1000 Total Assets	<u>217,250,866</u>
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	306,090
1705 Deferred Outflow Related to TRS Pension	3,717,098
1706 Deferred Outflow Related to TRS OPEB	6,091,585
1700 Total Deferred Outflows of Resources	<u>10,114,773</u>
LIABILITIES	
2110 Accounts Payable	3,166,429
2140 Interest Payable	203,719
2150 Payroll Deductions and Withholdings	1,037,183
2160 Accrued Wages Payable	3,733,388
2180 Due to Other Governments	854
2200 Accrued Expenses	27,402
2300 Unearned Revenue	100,356
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Notes, Leases, etc.	6,985,968
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	139,138,464
2540 Net Pension Liability (District's Share)	15,283,299
2545 Net OPEB Liability (District's Share)	11,671,979
2000 Total Liabilities	<u>181,349,041</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	2,682,784
2606 Deferred Inflow Related to TRS OPEB	12,559,747
2600 Total Deferred Inflows of Resources	<u>15,242,531</u>
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	43,423,277
Restricted:	
3820 Restricted for Federal and State Programs	779,428
3850 Restricted for Debt Service	6,105,946
3890 Restricted for Other Programs	67,558
3900 Unrestricted	(19,602,142)
3000 Total Net Position	<u>\$ 30,774,067</u>

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

NEDERLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	1	Program Revenues		6 Primary Gov. Governmental Activities
		3 Charges for Services	4 Operating Grants and Contributions	
	Expenses			Net (Expense) Revenue and Changes in Net Position
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 34,486,612	\$ -	\$ 2,549,663	\$ (31,936,949)
12 Instructional Resources and Media Services	597,456	-	8,266	(589,190)
13 Curriculum and Instructional Staff Development	709,249	-	204,456	(504,793)
21 Instructional Leadership	889,182	-	33,744	(855,438)
23 School Leadership	2,671,752	-	33,907	(2,637,845)
31 Guidance, Counseling, and Evaluation Services	2,651,372	-	393,837	(2,257,535)
33 Health Services	516,805	-	7,118	(509,687)
34 Student (Pupil) Transportation	1,342,653	-	111,101	(1,231,552)
35 Food Services	3,816,880	1,145,359	2,143,439	(528,082)
36 Extracurricular Activities	2,352,082	350,586	276	(2,001,220)
41 General Administration	1,314,137	-	13,219	(1,300,918)
51 Facilities Maintenance and Operations	9,320,020	-	45,804	(9,274,216)
52 Security and Monitoring Services	964,769	-	377,492	(587,277)
53 Data Processing Services	1,793,720	-	10,525	(1,783,195)
61 Community Services	188,835	-	6,963	(181,872)
72 Debt Service - Interest on Long-Term Debt	3,429,330	-	-	(3,429,330)
73 Debt Service - Bond Issuance Cost and Fees	3,300	-	-	(3,300)
95 Payments to Juvenile Justice Alternative Ed. Prg.	48,350	-	-	(48,350)
99 Other Intergovernmental Charges	306,658	-	-	(306,658)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 67,403,162	\$ 1,495,945	\$ 5,939,810	(59,967,407)
Data Control Codes				
General Revenues:				
Taxes:				
MT	Property Taxes, Levied for General Purposes			26,250,988
DT	Property Taxes, Levied for Debt Service			8,165,322
SF	State Aid - Formula Grants			25,049,242
GC	Grants and Contributions not Restricted			1,428,076
IE	Investment Earnings			1,464,377
MI	Miscellaneous Local and Intermediate Revenue			2,155,854
TR	Total General Revenues			64,513,859
CN	Change in Net Position			4,546,452
NB	Net Position - Beginning as Previously Reported			21,831,103
PA	Prior Period Adjustment			4,396,512
	Net Position - Beginning as Restated and Adjusted			26,227,615
NE	Net Position - Ending			\$ 30,774,067

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

NEDERLAND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 135,835	\$ 3,347,782	\$ (219,864)
1120 Investments - Current	10,229,008	2,441,322	8,168,374
1220 Property Taxes - Delinquent	1,261,204	372,411	-
1230 Allowance for Uncollectible Taxes	(189,181)	(55,862)	-
1240 Due from Other Governments	5,962,419	1,147	-
1290 Other Receivables	26,769	-	-
1300 Inventories	95,246	-	-
1410 Prepayments	7,502	-	-
1000 Total Assets	<u>\$ 17,528,802</u>	<u>\$ 6,106,800</u>	<u>\$ 7,948,510</u>
LIABILITIES			
2110 Accounts Payable	\$ 389,708	\$ -	\$ 2,737,501
2150 Payroll Deductions and Withholdings Payable	1,037,183	-	-
2160 Accrued Wages Payable	3,617,298	-	-
2180 Due to Other Governments	-	854	-
2200 Accrued Expenditures	8,209	-	-
2300 Unearned Revenue	100,230	-	-
2000 Total Liabilities	<u>5,152,628</u>	<u>854</u>	<u>2,737,501</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,072,023	316,549	-
2600 Total Deferred Inflows of Resources	<u>1,072,023</u>	<u>316,549</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	95,246	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	5,211,009
3480 Retirement of Long-Term Debt	-	5,789,397	-
3490 Other Restricted Fund Balance	-	-	-
3600 Unassigned Fund Balance	11,208,905	-	-
3000 Total Fund Balances	<u>11,304,151</u>	<u>5,789,397</u>	<u>5,211,009</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 17,528,802</u>	<u>\$ 6,106,800</u>	<u>\$ 7,948,510</u>

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

Other Funds		Total Governmental Funds	
\$	469,972	\$	3,733,725
	-		20,838,704
	-		1,633,615
	-		(245,043)
	507,279		6,470,845
	25,171		51,940
	1,249		96,495
	-		7,502
\$	1,003,671	\$	32,587,783
\$	39,220	\$	3,166,429
	-		1,037,183
	116,090		3,733,388
	-		854
	-		8,209
	126		100,356
	155,436		8,046,419
	-		1,388,572
	-		1,388,572
	1,249		96,495
	779,428		779,428
	-		5,211,009
	-		5,789,397
	67,558		67,558
	-		11,208,905
	848,235		23,152,792
\$	1,003,671	\$	32,587,783

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 23,152,792
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	183,041,182
2 Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,388,572
3 Bonds are not due and payable in the current period and, therefore, are not reported in the funds.	(130,980,000)
4 Bond interest is not due and payable in the current period and, therefore, are not reported in the funds.	(203,719)
5 Prepaid expenditures which were expended in the funds are included in the statement of net assets.	1,174,284
6 Deferred charge on refunding is reported as other sources in the funds.	306,090
7 SBITA obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(609,978)
8 Other long-term liabilities which are not due and payable in the current period and, therefore, are not reported in the funds.	(14,534,454)
9 The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	428,424
10 Included in the items related to debt is the recognition of the District's proportionate share of a net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$3,717,098, a deferred resource inflow in the amount of \$2,682,784 and a net pension liability in the amount of \$15,283,299. This resulted in a decrease in net position.	(14,248,985)
11 Included in the items related to debt is the recognition of the District's proportionate share of a net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$6,091,585 a deferred resource inflow in the amount of \$12,559,747 and a net OPEB liability in the amount of \$11,671,979. This resulted in a decrease in net position.	(18,140,141)
29 Net Position of Governmental Activities	\$ 30,774,067

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 28,592,050	\$ 8,936,477	\$ 362,622
5800 State Program Revenues	27,454,635	1,091,975	-
5900 Federal Program Revenues	399,139	-	-
5020 Total Revenues	56,445,824	10,028,452	362,622
EXPENDITURES:			
Current:			
0011 Instruction	32,044,117	-	-
0012 Instructional Resources and Media Services	640,437	-	-
0013 Curriculum and Instructional Staff Development	534,183	-	-
0021 Instructional Leadership	917,519	-	-
0023 School Leadership	2,825,794	-	-
0031 Guidance, Counseling, and Evaluation Services	2,441,068	-	-
0033 Health Services	548,531	-	-
0034 Student (Pupil) Transportation	973,247	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	2,220,015	-	-
0041 General Administration	1,375,883	-	-
0051 Facilities Maintenance and Operations	8,961,965	-	-
0052 Security and Monitoring Services	598,478	-	-
0053 Data Processing Services	1,926,957	-	-
0061 Community Services	191,509	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	199,386	4,535,001	-
0072 Interest on Long-Term Liabilities	19,974	4,862,192	-
0073 Bond Issuance Cost and Fees	-	3,300	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	4,548,614
Intergovernmental:			
0095 Payments to Juvenile Justice Alternative Ed. Prg.	48,350	-	-
0099 Other Intergovernmental Charges	306,658	-	-
6030 Total Expenditures	56,774,071	9,400,493	4,548,614
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(328,247)	627,959	(4,185,992)
OTHER FINANCING SOURCES (USES):			
7913 Right-to-Use Lease and SBITA Proceeds	527,507	-	-
1200 Net Change in Fund Balances	199,260	627,959	(4,185,992)
0100 Fund Balance - September 1 (Beginning)	9,512,697	5,161,438	9,397,001
1300 Prior Period Adjustment	1,592,194	-	-
as Restated and Adjusted	11,104,891	5,161,438	9,397,001
3000 Fund Balance - August 31 (Ending)	\$ 11,304,151	\$ 5,789,397	\$ 5,211,009

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

		Total	
Other		Governmental	
Funds		Funds	
\$	1,301,212	\$	39,192,361
	572,336		29,118,946
	4,684,006		5,083,145
	6,557,554		73,394,452
	2,504,044		34,548,161
	-		640,437
	199,329		733,512
	22,457		939,976
	-		2,825,794
	363,651		2,804,719
	-		548,531
	-		973,247
	3,856,312		3,856,312
	59,017		2,279,032
	-		1,375,883
	-		8,961,965
	374,986		973,464
	-		1,926,957
	4,941		196,450
	96,893		4,831,280
	2,541		4,884,707
	-		3,300
	-		4,548,614
	-		48,350
	-		306,658
	7,484,171		78,207,349
	(926,617)		(4,812,897)
	378,750		906,257
	(547,867)		(3,906,640)
	1,396,102		25,467,238
	-		1,592,194
	1,396,102		27,059,432
\$	848,235	\$	23,152,792

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (3,906,640)
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation.	1,205,900
Capital Outlays	\$5,176,404
Depreciation expense	(3,970,504)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	212,478
Prior year delinquent taxes collected in the year ended August 31, 2025	\$(305,822)
Current year uncollected levy net of allowance for uncollectible portion	518,300
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The transaction has no effect on net assets.	4,843,945
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,442,712
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Conversely, certain items reported as expenditures in the governmental funds are considered assets in the governmental-wide statements.	(333,635)
Compensated absences	(\$343,875)
Deferred expenditures	10,240
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in the ending net position to increase by \$1,465,176. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$1,409,969. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$539,485. The net result is a decrease in the change in net position.	(484,278)
The net operating income of the Internal Service Fund is reported with governmental activities.	(25,211)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in the ending net position to increase by \$359,473. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$349,314. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$1,581,022. The net result is an increase in the change in net position.	1,591,181
Change in Net Position of Governmental Activities	\$ 4,546,452

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

INTERNAL SERVICE FUND FINANCIAL STATEMENTS

NEDERLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2025

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 101,576
Investments - Current	346,041
Total Assets	447,617
LIABILITIES	
Current Liabilities:	
Accrued Expenses	19,193
Total Liabilities	19,193
NET POSITION	
Unrestricted Net Position	428,424
Total Net Position	\$ 428,424

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

NEDERLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 152,283
Total Operating Revenues	152,283
OPERATING EXPENSES:	
Payroll Costs	14,546
Professional and Contracted Services	162,948
Total Operating Expenses	177,494
Operating Income (Loss)	(25,211)
Total Net Position - September 1 (Beginning)	453,635
Total Net Position - August 31 (Ending)	\$ 428,424

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

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

EXHIBIT D-3

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Collections	\$ 152,283
Cash Payments to Employees for Services	(14,546)
Cash Payments to Service Providers and Claims	(143,755)
Net Cash Used for Operating Activities	(6,018)
<u>Cash Flows from Investing Activities:</u>	
Purchase of Securities	(1,527)
Net Decrease in Cash and Cash Equivalents	(7,545)
Cash and Cash Equivalents at Beginning of Year	109,121
Cash and Cash Equivalents at End of Year	\$ 101,576
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (25,211)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	19,193
Net Cash Used for Operating Activities	\$ (6,018)

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

FIDUCIARY FUND FINANCIAL STATEMENTS

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

	Private Purpose Trust Funds	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 31,710	\$ 371,411
Restricted Assets	<u>7,000</u>	<u>-</u>
Total Assets	<u>38,710</u>	<u>\$ 371,411</u>
NET POSITION		
Restricted for Other Purposes	<u>38,710</u>	<u>371,411</u>
Total Net Position	<u><u>\$ 38,710</u></u>	<u><u>\$ 371,411</u></u>

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

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

	Private Purpose Trust Funds	Custodial Fund
ADDITIONS:		
Cocurricular Services/Activities - Locally Defined	\$ -	\$ 910,795
Contributions, Gifts and Donations	14,710	-
Total Additions	<u>14,710</u>	<u>910,795</u>
DEDUCTIONS:		
Supplies and Materials	-	898,259
Other Deductions	1,654	-
Total Deductions	<u>1,654</u>	<u>898,259</u>
Change in Fiduciary Net Position	13,056	12,536
Total Net Position - September 1 (Beginning)	<u>25,654</u>	<u>358,875</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 38,710</u></u>	<u><u>\$ 371,411</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nederland Independent School District (the "District") is a public educational entity operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement No. 56, and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14 "The Financial Reporting Entity" and there are no component units included within this reporting entity.

B. 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. Governmental activities normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges for services such as food service or extracurricular activities and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, internal service funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are 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.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT
PRESENTATION (CONTINUED)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The District reports the following major governmental funds:

The **General Fund** is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board to implement its responsibilities.

The **Debt Service Fund** accounts for the tax levies assessed to pay bond principal and interest as it become due. A dedicated interest and sinking fund ad valorem tax rate is set each year.

The **Capital Projects Fund** accounts for the proceeds from tax payor authorized capital building projects and the expenditures associated with those approved projects.

Additionally, the government reports the following other fund types:

Internal Service Fund – The District utilizes an Internal Service Fund to account for its self-funded workers' compensation program.

The District provides for incurred but not reported costs for self-funded workers' compensation claims through the establishment of an undiscounted liability account and unrestricted net position. The undiscounted liability totaled \$19,193 at year-end and unrestricted net position as of August 31, 2025 was \$428,424.

The General Fund is contingently liable for any liabilities of this fund. See Note 2. E for additional discussion of the District's self-funded program.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

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

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments not reported in other fiduciary fund types. The District's private-purpose trust funds represent scholarship funds being held in trust for students.

Custodial Funds: These funds are used to account for resources held for others in a custodial capacity. The District utilizes this fund type to account for funds held on behalf of student clubs and organizations. Student activity organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of Trustees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

In accordance with the FASRG, the District has adopted and installed an accounting system, which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FASRG. Mandatory codes are utilized in the form provided in that section.

D. ACCOUNTING CHANGES

In accordance with *GASB Statement 100*, accounting changes for the year ended August 31, 2025 are as follows:

Changes in Accounting Principle. Per *GASB Statement 101, Compensated Absences*, the estimated liability for compensated absences has been revised. See Note 1. E, part 5 for further explanations of the change.

E. ASSETS, LIABILITIES, AND NET POSITION

1. *Cash and cash equivalents*

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

2. *Property taxes*

Property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 15% of the outstanding property taxes at August 31, 2025.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

3. *Inventories*

The District accounts for inventories using the consumption method. Under this method, inventory is recorded as an expenditure when it is consumed. Inventories of supplies on the balance sheet are stated at cost using the first-in, first-out (FIFO) method. Inventories of food commodities are recorded at market values supplied by the Texas Department of Agriculture (TDA). Although commodities are received at no cost, their fair market value is recorded as inventory and revenue when received. When requisitioned, inventory and revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. In the General Fund, reported inventories are offset by a nonspendable fund balance to indicate that they do not constitute available spendable resources, even though they are a component of net current assets.

4. *Capital assets*

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Property, plant, and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Furniture and Equipment	5-10
Computer Equipment	3-15
Vehicles	3-15

5. *Compensated absences*

The District's policy permits employees to accumulate earned but unused sick pay benefits. All employees earn 5 days of state personal leave annually. Additionally, employees earn between 5 and 8 days of local sick leave annually, based on contract length. Local sick leave is cumulative with no limit.

Vacation leave is provided to personnel employed on 12-month contracts (234 days or more). This includes administrators, clerical staff, custodians, and maintenance personnel. Vacation accrual ranges from 2 to 5 weeks per year depending on the position and years of service. Vacation leave is non-cumulative and must be used within the year or it is forfeited; consequently, the District does not recognize a liability for vacation benefits as they are not expected to be paid or settled.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

5. *Compensated absences (Continued)*

In the year ended August 31, 2025, the districted adopted Governmental Accounting Standards Board Statement 101 Compensated Absences. The statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, the District considered relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits is not included in the liability for compensated absences.

Based on the District's policy, this liability is limited to the specific retirement buyback provision. Employees who voluntarily retire under the Texas Teacher Retirement System (TRS), or the estates of eligible employees who die before retiring, are eligible for payment. The District pays for 40% of the accumulated local leave balance. The rate of pay is established at \$25 per day for professional/administrative staff and \$20 per day for paraprofessional/auxiliary staff.

In the fund financial statements, the District recognizes compensated absences as expenditures/liabilities only when they have matured (i.e., are due for payment following an employee's resignation or retirement). In the government-wide financial statements, the District records the full liability for the accumulated value of these rights as they are earned, to the extent they are more likely than not to be settled. As of the fiscal year-end, the District's liability for compensated absences amounted to \$689,427.

The implementation of GASB 101 resulted in an increase in the compensated absences balance of \$294,726, which the District considers to be a significant amount in relation to the financial statements as a whole, and as such, is reflected as a prior period adjustment.

6. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums 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 services expenditures.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

7. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position (Exhibit A-1) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so 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. They are contributions made to the pension plan and the OPEB plan in the 2025 fiscal year and the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position (Exhibit A-1) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items; the first arises only under a modified accrual basis of accounting that qualifies for the reporting in this category. Accordingly, the items unavailable revenue – property taxes and unavailable revenue – grant revenue, are reported only in the governmental funds balance sheet (Exhibit C-1). These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available. The second is the deferrals of pension expense that result from the implementation of GASB Statement 68. The third is the deferrals of OPEB expense that result from the implementation of GASB Statement 75. The deferrals for pension and OPEB are only reported in the government-wide statement of net position (Exhibit A-1).

8. *Fund equity*

The District has implemented 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 (such as inventory) or are required to be maintained intact.
- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- *Committed fund balance* – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- *Assigned fund balance* – amounts the District intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.
- *Unassigned fund balance* – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

8. *Fund equity (Continued)*

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. At August 31, 2025, the District Special Revenue Funds reported \$779,428 as committed to food service, \$4,083 as committed to instruction, and \$63,475 as committed to campus level activities.

9. *Net Position Flow Assumption*

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

10. *Fund Balance Flow Assumptions*

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

11. *Use of estimates*

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

12. *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.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

13. 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.

14. Subscription-Based Information Technology Arrangements (SBITA)

The District entered into contracts that conveys control of the right to use another party's information technology (IT) software. The District recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements. The SBITA liability is initially measured at the present value of payments expected to be made during the lease term. Subsequently, the SBITA liability is reduced by the principal portion of payments made. The SBITA asset is measured as the initial amount of the SBITA liability, adjusted for payments made at or before the subscription term, plus capitalizable implementation costs, less any incentives received. The SBITA asset is amortized on a straight-line basis over its useful life.

The District used its estimated incremental borrowing rate as the discount rate. The SBITA term includes the noncancellable period of the lease. Lease payments included in the measurement of the SBITA liability are the 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 SBITAs and will remeasure the SBITA assets and liabilities if certain changes occur that are expected to significantly affect the amount of the SBITA liabilities. SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FASRG module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board at a public meeting held at least ten days after public notice has been given.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. BUDGETARY INFORMATION (CONTINUED)

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Food Service Special Revenue Fund. The remaining special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget was properly amended throughout the year by the Board. Such amendments are before the fact and are reflected in the official minutes of the Board.

B. REQUIRED INDIVIDUAL FUND DISCLOSURES

For the year ended August 31, 2025, the General Fund exceeded budget in functions 21, 36, 51, 52, 53, 71, and 72. Function 53 exceeded budget by \$275,227, function 71 exceeded budget by \$199,386, function 72 exceeded budget by \$19,974. These overages were caused by new SBITA contracts. These amounts can be offset by the SBITA proceeds of \$527,507.

No Food Service Special Revenue Fund functional expenditure categories exceeded budget. No Debt Service Fund functional expenditure categories exceed budget. There are no fund balances in deficit position.

C. DATA CONTROL CODES

Data control codes refer to the account code structure prescribed by the Texas Education Agency, Financial Accountability System Resource Guide.

D. HEALTH CARE

During the year, the District enrolled in the State sponsored TRS Active Care health insurance program. The District paid premiums of \$450 per month per participating employee to the Plan. The Texas Education Agency reimburses the District for \$75 of this amount.

Employees, at their option, contribute for dependent coverage through payroll withholdings. The Teacher Retirement System (TRS) manages TRS Active Care. Administration of the Plan is provided by two companies. Blue Cross Blue Shield administers the medical plan while ExpressScripts was assigned the prescription drug plan.

The District does not provide any post-retirement health benefits to its employees.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

E. SELF-FUNDED WORKERS' COMPENSATION

The District has a limited risk management program for workers' compensation that is self-funded. The estimated liability for open claims is reported in an Internal Service fund at August 31, 2025 and is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount. The liability booked is the undiscounted estimate of the actuary.

Changes in the balances of claims liabilities during the most recent two years are as follows:

	2025	2024
Claims liabilities (including incurred but not reported), beginning of year	\$ -	\$ 2,803
Incurred claims	73,144	128,304
Claims paid	(53,951)	(131,107)
Claims liabilities (including incurred but not reported), End of year	<u>\$ 19,193</u>	<u>\$ -</u>

The district also holds a separate Workers' Compensation policy with Midwest Employers Casualty Company for any excess liabilities.

F. RISK MANAGEMENT AND PARTICIPATION IN RISK POOLS

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Most of these risks are protected by insurance. There were no significant reductions in coverage in the past fiscal year.

Unemployment Compensation

During the year ended August 31, 2025, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2025, the Fund anticipates that Nederland ISD has no additional liability beyond the contractual obligation for payment of contribution.

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

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
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NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

F. RISK MANAGEMENT AND PARTICIPATION IN RISK POOLS (CONTINUED)

Other Insurance

During the year ended August 31, 2025, Nederland Independent School District used Frost Insurance as a broker to provided insurance which is administered by Higginbotham, the TASB Risk Management Fund and JS Edwards & Sherlock Insurance Agency with coverage in:

Auto Liability	General Liability
Auto Physical Damage	Pollution Liability
Crime	Professional Liability
Cyber Liability	Property
Equipment Breakdown	

NOTE 3. BUDGETARY LEGAL COMPLIANCE

The Official Budget was prepared for adoption for the General Fund, Food Service Fund and Debt Service Fund prior to August 20, 2024 and was adopted by the Board on August 19, 2024. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the Board unless the intent is to cross fund or function or increase the overall budget allocations. Control of appropriations by the Board is maintained within Fund Groups at the function code level.

The Budget is formally adopted by the Board at a duly advertised public meeting in accordance with law prior to the expenditure of funds. The approved budget is filed with the TEA through the Public Education Information Management System.

Should any change in the approved budget be required, budget amendment requests are presented to the Board for consideration. Amendments are made before the fact and once approved are reflected in the official minutes. During the year, the budget was properly amended in accordance with the above procedures.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 4. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits: At August 31, 2025, the carrying amount of the District's cash, savings and time deposits was \$4,228,022. The bank balance was \$4,641,480. During 2024-2025, the District's combined deposits were fully insured by federal depository insurance and securities pledged to the District and held by the depository's agent in the District's name.
2. Investments: The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities and (9) bid solicitation preferences for certificates of deposit.

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

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

3. Deposit and Investment Risks:

Interest rate risk: In accordance with its investing policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to one year or less.

Credit risk: For fiscal year 2025, the District invested in TexPool, Lone Star Investment Pool and US Treasury SLUGS. TexPool is duly chartered and administered by the State Comptroller's Office. As of August 31, 2025, the District's investments in TexPool were rated AAA by Standard & Poor's Investors Service. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC formerly the Texas Association of School Boards Financial Services. The District's investments in Lone Star Investment Pool were rated AAA by Standard & Poor's Investors Service. State and Local Government Series (SLGS) securities are issued by the US Treasury to assist with the governing of investment cash proceeds generated from a tax-exempt bond issuance.

Concentration of credit risk: The District's investment policy does not limit an investment in any one issuer.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

3. Deposit and Investment Risks (Continued):

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2025, District deposits at the local depository were insured and collateralized with securities held by the depository's agent and in the District's name.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial risk due to the fact that investments are insured or registered, or the investments are held by the District or its agent in the District's name.

The District's investments at August 31, 2025 are shown below.

Investment or Investment Type	Maturity	Governmental Funds Fair Value	Internal Service Fund Fair Value
Lone Star Investment Pool	N/A	\$ 8,955,630	\$ 346,041
TexPool	N/A	3,714,971	-
US Treasury SLGS	N/A	8,168,103	-
		<u>\$ 20,838,704</u>	<u>\$ 346,041</u>

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 deposits are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 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.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Public Funds Investment Pools (Continued)

Fair values of TexPool are based on quoted market prices of the underlying assets as provided by the Fund Sponsor, The State of Texas. Fair values of Lone Star Investment Pool are based on quoted market prices of the underlying assets as provided by the Fund Sponsor, First Public, LLC. US Treasury and time deposits at FDIC insured banks are not subject to the fair value hierarchy levels. These investments are reported by the District at cost which approximates fair value. Governmental Accounting Standards Board Statement (GASB) No. 79, "Certain External Investment Pools and Pool Participants" allows the reporting of these investments at cost due to short-term maturities.

NOTE 5. PROPERTY TAXES

Property taxes are considered available when collected within the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The net assessed value of the property tax roll on August 1, 2024, upon which the levy for the 2024-2025 fiscal year was based, was \$3,651,392,829. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2025, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.73690 and \$0.23000 per \$100 valuation, respectively, for a total of \$0.96690 per \$100 valuation.

Current tax collections for the year ended August 31, 2025 were 98% of the year-end adjusted tax levy. 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 and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2025, property taxes receivable, net of estimated uncollectible taxes of \$189,181 and \$55,862, totaled \$1,072,023 and \$316,549 for the General and Debt Service Funds, respectively.

NOTE 6. TAX ABATEMENT

The District's Board of Trustees approved agreements with certain entities for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code. 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) must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation, and Texas Priority projects.

The application, the agreements, and state reporting requirement documentation can be viewed at the Texas Comptroller's website: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6. TAX ABATEMENT (CONTINUED)

In order to qualify for the 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, it was determined by both the District's Board of Trustees and the Texas Comptroller's Office that the project would meet these standards. After approval, the applicant company must maintain a viable presence in the District for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event the applicant terminates the 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.

As of the date of the report, the applicant companies are in full compliance with all of its obligations under law and the agreement itself.

The following information is required by GASB 77 for M&O purposes. It includes the net benefit to the District but does not include any Interest & Sinking (I&S) impact.

Project: Orbit Gulf Coast NLG Experts, LLC (Application #1247)

First Year Value Limitation: 2021

Fiscal Year: 2025 / Tax Year: 2024

(A)	(B)	(C)	(D)	(E)	(F)	(G)
Project Value 2024	Project's Value Limitation Amount 2024	Amount of Applicant's M&O Taxes Paid 2024	Amount of Applicant's M&O Taxes Reduced 2024	Company Revenue Loss Payment to School District 2024	Company Supplemental Payment to School District 2024	Net Benefit (Loss) to the School District 2024 (E + F)
\$ 184,067,800	\$ 30,000,000	\$ 221,070	\$ 1,135,326	\$ -	\$ 510,910	\$ 510,910

Project: ETC Marketing, LTD (Application #1798)

First Year Value Limitation: 2027

Fiscal Year: 2025 / Tax Year: 2024

(A)	(B)	(C)	(D)	(E)	(F)	(G)
Project Value 2024	Project's Value Limitation Amount 2024	Amount of Applicant's M&O Taxes Paid 2024	Amount of Applicant's M&O Taxes Reduced 2024	Company Revenue Loss Payment to School District 2024	Company Supplemental Payment to School District 2024	Net Benefit (Loss) to the School District 2024 (E + F)
N/A	N/A	\$ -	\$ -	\$ -	\$ -	\$ -

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 7. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2025, are summarized below. Federal grants shown below are passed primarily through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>Local Governments</u>	<u>State Entitlements and Awards</u>	<u>Federal Awards</u>	<u>Total</u>
General	\$ 3,162	\$ 5,959,257	\$ -	\$ 5,962,419
Special Revenue	-	192,308	314,971	507,279
Debt Service	1,147	-	-	1,147
 Total	 <u>\$ 4,309</u>	 <u>\$ 6,151,565</u>	 <u>\$ 314,971</u>	 <u>\$ 6,470,845</u>

NOTE 8. CAPITAL ASSETS

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

	<u>Balance September 1, 2024</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Balance August 31, 2025</u>
Governmental activities:					
Capital assets, not being depreciated					
Land	\$ 3,938,165	\$ -	\$ -	\$ -	\$ 3,938,165
Construction in Progress	79,174,622	4,778,884	(426,606)	(230,272)	83,296,628
Total capital assets, not being depreciated	83,112,787	4,778,884	-	(230,272)	87,234,793
Capital assets, being depreciated					
Buildings and Improvements	138,567,200	-	-	(650,000)	137,917,200
Furniture and Equipment	9,647,299	269,871	426,606	(16,543)	10,327,233
Right to use - Equipment	595,981	-	-	(595,981)	-
Subscription assets	-	906,257	-	-	906,257
Total capital assets being depreciated	148,810,480	1,176,128	426,606	(1,262,524)	149,150,690
Less accumulated depreciation for:					
Buildings and Improvements	(45,726,406)	(2,642,659)	-	1,024,464	(47,344,601)
Furniture and Equipment	(4,671,855)	(1,106,338)	-	-	(5,778,193)
Right to use - Equipment	(595,981)	-	-	595,981	-
Subscription assets	-	(221,507)	-	-	(221,507)
Total accumulated depreciation	(50,994,242)	(3,970,504)	-	1,620,445	(53,344,301)
Total capital assets being depreciated, net	97,816,238	(2,794,376)	426,606	357,921	95,806,389
Governmental activities capital assets, net	<u>\$ 180,929,025</u>	<u>\$ 1,984,508</u>	<u>\$ 426,606</u>	<u>\$ 127,649</u>	<u>\$ 183,041,182</u>

Construction in progress at August 31, 2025 consisted of \$83,128,592 for construction of a new high school and \$168,036 for track resurfacing. The estimated completion cost for the high school is \$83,328,592 and estimated completion date is November 1, 2025. The estimated completion cost for the track is \$538,449 and the estimated completion date is January 1, 2026.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the District as follows:

Governmental activities:

11	Instruction	\$ 2,229,330
12	Library & Media	3,700
34	Transportation	413,859
35	Food Services	15,328
36	Athletics & Co-curricular	136,631
51	Maintenance	772,237
53	Data Processing	399,419

Total depreciation expense-governmental activities	<u><u>\$ 3,970,504</u></u>
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NOTE 9. DEFINED BENEFIT PENSION PLAN

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

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

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

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 post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living-adjustment (COLA).

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 System's actuary.

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

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

Contribution Rates

	<u>2025</u>	<u>2024</u>
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
Current Fiscal Year Employer Contributions		\$ 1,465,176
Current Fiscal Year Member Contributions		\$ 3,048,972
2024 Measurement Year NECE On-Behalf Contributions		\$ 2,209,027

Contributors to the plan include active members, employers and the State of Texas as the only non-employer contributing entity. The state is the employer for senior colleges, 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).

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions (Continued). As the non-employer contributing entity for public education, 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 including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

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

- 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.
- All public schools must contribute 1.9% of the member's salary beginning in fiscal year 2024, gradually increasing to 2% in fiscal year 2025.

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

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2024	3.87%**
Last year ending August 31 in Projection Period (100 Years)	2123
Inflation	2.30%
Salary Increases	2.95% to 8.95%
Ad hoc Post Employment Benefit Changes	None

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

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023.

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

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

The long-term expected rate of return on pension plan investments is 7.00%. 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. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2024 are summarized below:

Asset Allocation and Long-Term Expected Real Rate of Return

Asset Class	Target Allocation % ¹	Long-Term Expected Geometric Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.A.	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			0.40%
Government Bonds	16.00%	1.90%	0.20%
Stable Value Hedge Funds	5.00%	3.00%	0.00%
Absolute Return ⁴	0.00%	4.00%	0.00%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources and Infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity			
Risk Parity	8.00%	4.00%	0.40%
Asset Allocation Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag ³			-0.70%
Expected Return	<u>100.0%</u>		<u>7.90%</u>

¹ Target Allocations are based on the FY2024 policy model.

² Capital Market Assumptions come from 2024 SAA Study CMA Survey (as of 12/31/2023)

³ The volatility drag results from the conversion between arithmetic and geometric mean returns.

⁴ Absolute Return includes Credit Sensitive Investments.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	<u>\$ 24,411,301</u>	<u>\$ 15,283,299</u>	<u>\$ 7,720,100</u>

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension. At August 31, 2025, Nederland Independent School District reported a liability of \$15,283,299 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	\$ 15,283,299
State's proportionate share that is associated with the District	<u>23,944,658</u>
Total	<u>\$ 39,227,957</u>

The net pension liability was measured as of August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's portion 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 employer's proportion of the collective net pension liability was 0.0250200622% which was a decrease of 0.0043511151% 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 (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 (HJR) 2 of the 88th Regular Legislative Session appropriated payments of \$1.645 billion for one-time stipends and \$3.355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

For the year ended August 31, 2025, the District recognized pension expense of \$4,811,241 and revenue of \$2,861,787 for support provided by the State.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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 economic experience	\$ 842,395	\$ 119,325
Changes in actuarial assumptions	789,109	105,793
Difference between projected and actual investment earnings	92,902	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>527,516</u>	<u>2,457,666</u>
Total as of August 31, 2024 measurement date	2,251,922	2,682,784
Contributions paid to TRS subsequent to the measurement date	<u>1,465,176</u>	<u>-</u>
Total	<u><u>\$ 3,717,098</u></u>	<u><u>\$ 2,682,784</u></u>

The District recognized \$1,465,176 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2026. The other amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended August 31:</u>	<u>Pension Expense</u>
2026	\$ (268,885)
2027	1,249,206
2028	(309,091)
2029	(894,163)
2030	(207,929)
Thereafter	-

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10. OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

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

Benefits Provided. TRS-Care provides health insurance coverage to retirees from public schools 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

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

*or surviving spouse

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10. OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

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

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

	<u>Contribution Rates</u>	
	<u>2025</u>	<u>2024</u>
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current Fiscal Year Employer Contributions		\$ 359,473
Current Fiscal Year Member Contributions		\$ 240,222
2024 Measurement Year NECE On-Behalf Contributions		\$ 437,686

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

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10. OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Actuarial Assumptions. (Continued)

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs – From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	2.95% to 8.95%, including inflation
Ad hoc post-employment benefit changes	None

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 investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

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

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 10. OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Discount Rate Sensitivity Analysis: The following schedule shows the impact of the Net OPEB liability if the discounted rate used was 1% less than and 1% greater than the discount rate that was used (3.87%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.87%)	Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the Net OPEB liability:	<u>\$ 13,866,856</u>	<u>\$ 11,671,979</u>	<u>\$ 9,898,485</u>

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

	1% Decrease	Current Single Healthcare Trend Rate	1% Increase
District's proportionate share of the OPEB liability:	<u>\$ 9,505,094</u>	<u>\$ 11,671,979</u>	<u>\$ 14,495,646</u>

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 \$11,671,979 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 11,671,979
State's proportionate share that is associated with the District	<u>14,624,831</u>
Total	<u>\$ 26,296,810</u>

The net OPEB liability was measured as of August 31, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's portion 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 employer's proportion of the collective net OPEB liability was 0.0384559783% which was a decrease of 0.0031408523% from its proportion measured as of August 31, 2023.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 10. OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

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 percent as of August 31, 2023 to 3.87 percent 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.

Changes to Benefit Terms Since the Prior Measurement Date: There were no changes to benefit terms since the prior measurement date.

For the year ended August 31, 2024, the District recognized OPEB expense of (\$3,132,666) and revenue of (\$1,900,958) 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 actuarial experiences	\$ 2,237,126	\$ 5,824,950
Changes in actuarial assumptions	1,493,875	3,808,432
Difference between projected and actual investment earnings	-	32,685
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,001,111	2,893,680
Total as of August 31, 2024 measurement date	5,732,112	12,559,747
Contributions paid to TRS subsequent to the measurement date	359,473	-
Total	<u>\$ 6,091,585</u>	<u>\$ 12,559,747</u>

Deferred outflow of resources related to OPEB resulting from contributions subsequent to the measurement date of \$359,473 will be recognized as a reduction of the net OPEB liability for the year ending August 31, 2026. Other amounts reported as deferred outflow and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended August 31:</u>	<u>OPEB Expense Amount</u>
2026	\$ (1,498,878)
2027	(970,242)
2028	(1,254,966)
2029	(1,351,047)
2030	(831,460)
Thereafter	(921,042)

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 10. OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Medicare Part D On-Behalf Payments. The Medicare Prescription Drug Act of 2003, which became 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. These on-behalf payments for Nederland Independent School District for the years August 31, 2025, 2024 and 2023 were \$260,113, \$197,380, and \$195,217, respectively.

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement for a portion of the cost of health care benefits to retirees between the ages of 55 – 64 and their covered dependents. TRS-Care did not participate in this program for the year ended August 31, 2025.

During the fiscal year ended August 31, 2025, the District paid \$55,875 for previously retired public school employees for whom the District had a TRS-Care Premium payment responsibility.

NOTE 11. BONDS AND TAX NOTE PAYABLE

The District's long-term debt consists of general obligation bonds and unlimited tax bonds issued to provide funds for the construction of major capital facilities or to refund existing. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The current requirements for bond principal and interest expenditures are accounted for in the Debt Service Fund.

On August 23, 2024, the District defeased \$1,935,000 of the Unlimited Tax Schoolhouse Bonds, Series 2015. The District placed \$1,937,462 in escrow with BOKF, N.A. to purchase open market securities. Expenses included escrow agent fees of \$1,050 and additional defeasance costs of \$5,500. As a result of the defeasance, the District recognized an economic loss of \$2,462. The defeased debt matures as follows:

Year Ended August 31	Principal
2033	\$ 300,000
2034	310,000
2035	315,000
2036	325,000
2037	335,000
2038	350,000
	\$ 1,935,000

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 11. BONDS AND TAX NOTE PAYABLE (CONTINUED)

Changes in bonds and tax note payable

Bonds and tax note payable activity for the year ended August 31, 2025 were as follows:

Series	Interest Rate Payable	Amounts Original Issue	Beginning Balance	Add- itions	Reductions	Ending Balance	Due Within One Year
2012 Unlimited Tax Qualified School Construction Bonds	3.80%	\$ 7,320,000	\$ 7,320,000	\$ -	\$ -	\$ 7,320,000	\$ -
Premium			13,810	-	(1,255)	12,555	1,255
2013 Unlimited Tax Schoolhouse Bonds	1.00 - 3.00%	9,110,000	3,775,000	-	(370,000)	3,405,000	380,000
Premium			96,580	-	(17,574)	79,006	16,064
2014 Unlimited Tax Schoolhouse Bonds	2.00 - 4.00%	6,080,000	470,000	-	(230,000)	240,000	240,000
Premium			58,019	-	(38,084)	19,935	19,935
2015 Unlimited Tax Schoolhouse Bonds	2.00 - 3.00%	6,080,000	2,155,000	-	(250,000)	1,905,000	255,000
Premium			60,866	-	(12,424)	48,442	11,370
2019 Unlimited Tax School Building Bonds	3.00 - 5.00%	69,970,000	57,520,000	-	(1,875,000)	55,645,000	1,970,000
Premium			6,767,680	-	(633,269)	6,134,411	605,669
2021 Unlimited Tax School Building Bonds	2.25 - 5.00%	69,410,000	64,275,000	-	(1,810,000)	62,465,000	1,905,000
Premium			8,306,894	-	(756,216)	7,550,678	701,913
Total bond and tax note payable			<u>\$ 150,818,849</u>	<u>\$ -</u>	<u>\$ (5,993,822)</u>	<u>\$ 144,825,027</u>	<u>\$ 6,106,206</u>

Annual debt service requirements to maturity for the bonds and tax note are as follows:

Year Ended August 31	Bond & Tax Notes		
	Principal	Interest	Total
2026	\$ 4,750,000	\$ 4,660,080	\$ 9,410,080
2027	4,715,000	4,447,630	9,162,630
2028	4,940,000	4,229,430	9,169,430
2029	5,170,000	3,999,880	9,169,880
2030	5,410,000	3,758,540	9,168,540
2031-2035	36,245,000	15,094,145	51,339,145
2036-2040	32,155,000	8,412,688	40,567,688
2041-2045	33,595,000	2,949,225	36,544,225
2046	4,000,000	90,000	4,090,000
	<u>\$ 130,980,000</u>	<u>\$ 47,641,618</u>	<u>\$ 178,621,618</u>

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 11. BONDS AND TAX NOTE PAYABLE (CONTINUED)

As of August 31, 2025, the District did not have any authorized but unissued bonds.

The Series 2012 bonds are callable in whole or in part on any date beginning in August 15, 2022. The bonds are subject to special mandatory and extraordinary option redemption. The District is required to make cumulative sinking fund deposits with the Paying Agent/Registrar as follows:

Year Ending August 31,		
2026	\$	406,667
2027		406,667
2028		406,667
2029		406,667
2030		406,667
2031		406,667
2032		406,667
2033		406,667
2034		406,667
2035		406,667
	\$	<u>4,066,670</u>

NOTE 12. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District has several arrangements subject to the requirements of GASB Statement No. 96 *Subscription-Based Information Technology Arrangements* (SBITA's). These arrangements can be described in groups – those related to educational assistance and those used for administrative purposes. The District makes annual payments and the agreements are for varying terms. The SBITA liability is the present value of these payments using the district's incremental borrowing rate of 5%. The liability is amortized providing the principal and interest components of the payments over the SBITA term. The SBITA asset is measured as the SBITA liability plus any capitalized expenditures incurred in the initial implementation stage. The SBITA asset is depreciated (amortized) using a straight-line depreciation method over the term of the SBITA arrangement. There were no additional commitments made before the commencement of the SBITA terms. There were no impairments or modifications to be reported during the fiscal year.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 12. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)

SBITA assets and accumulated amortization at August 31, 2025 were as follows:

	Terms in Months	Balance September 1 2024	Additions	Deletions	Balance August 31 2025
Governmental Funds:					
Subscription Assets					
Educational	24-50	\$ -	\$ 422,658	\$ -	\$ 422,658
Administrative	24-36	-	483,599	-	483,599
		<u>-</u>	<u>906,257</u>	<u>-</u>	<u>906,257</u>
Accumulated Depreciation					
Educational		-	(26,127)	-	(26,127)
Administrative		-	(195,380)	-	(195,380)
		<u>-</u>	<u>(221,507)</u>	<u>-</u>	<u>(221,507)</u>
Subscription assets, net		<u>\$ -</u>	<u>\$ 684,750</u>	<u>\$ -</u>	<u>\$ 684,750</u>

SBITA liability activity for the year ended August 31, 2025 was as follows:

	Terms in Months	Interest Rate	Beginning Liability	Additions	Reductions	Remaining Value	Due Within One Year
Governmental Funds:							
Educational	24-50	5%	\$ -	\$ 422,658	\$ (108,049)	\$ 314,609	\$ 92,448
Administrative	24-36	5%	-	483,599	(188,230)	295,369	197,862
			<u>\$ -</u>	<u>\$ 906,257</u>	<u>\$ (296,279)</u>	<u>\$ 609,978</u>	<u>\$ 290,310</u>

Annual principal and interest requirements to maturity for the SBITA liability are as follows:

Year Ended August 31	SBITA Liabilities		
	Principal	Interest	Total
2026	\$ 290,310	\$ 22,586	\$ 312,896
2027	178,074	11,013	189,087
2028	69,031	5,203	74,234
2029	72,563	1,671	74,234
	<u>\$ 609,978</u>	<u>\$ 40,473</u>	<u>\$ 650,451</u>

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 13. LONG-TERM OBLIGATIONS

Long-term obligation activities during the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and tax note	\$ 150,818,849	\$ -	\$ (5,993,822)	\$ 144,825,027	\$ 6,106,206
SBITAs	-	906,257	(296,279)	609,978	290,310
Compensated absences	345,552	343,875	-	689,427	589,452
	<u>\$ 151,164,401</u>	<u>\$ 1,250,132</u>	<u>\$ (6,290,101)</u>	<u>\$ 146,124,432</u>	<u>\$ 6,985,968</u>

NOTE 14. LITIGATION AND CONTINGENCIES

At various times, the District is the defendant in legal actions related to public education. The District's insurer accepts defense of these cases. The District defends such cases vigorously and management believes that financial exposure is limited to any related uninsured litigation expense.

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2025, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 15. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources generated in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Property Taxes	\$ 26,075,804	\$ 8,482,379	\$ -	\$ -	\$ 34,558,183
Food Sales	-	-	-	1,145,359	1,145,359
Investment Income	711,486	390,269	362,622	-	1,464,377
Penalties, interest and other tax related income	199,410	63,829	-	-	263,239
Co-curricular student activities	350,586	-	-	155,853	506,439
Other	1,254,764	-	-	-	1,254,764
Total	<u>\$ 28,592,050</u>	<u>\$ 8,936,477</u>	<u>\$ 362,622</u>	<u>\$ 1,301,212</u>	<u>\$ 39,192,361</u>

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 16. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Total
Food Service Advance Sales	\$ -	\$ 126	\$ 126
Seasonal Ticket Sales	100,230	-	100,230
Total Unearned Revenue	<u>\$ 100,230</u>	<u>\$ 126</u>	<u>\$ 100,356</u>

NOTE 17. INTERFUND BALANCES AND TRANSFERS

There were no due to and due from other funds balances at August 31, 2025.

There were no Interfund transfers for the fiscal year ended August 31, 2025.

NOTE 18. SUBSEQUENT EVENTS

On December 9, 2025, subsequent to the fiscal year ended August 31, 2025, the district received notification from S&P Global Ratings that the rating on its Texas' general obligation (GO) bonds was downgraded from AA- to A+. The outlook is stable.

The primary reason cited by the rating agency for the downgrade was the district's recent general fund deficits that have significantly reduced its available reserves to levels no longer comparable with those of AA- rated peers.

Management is currently evaluating the full impact of this rating change, which is expected to result in increased borrowing costs for future debt issuances and a potential decrease in the market value of outstanding bond. This event is not reflected in the accompanying financial statements as of August 31, 2025.

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2025**

NOTE 19. PRIOR PERIOD ADJUSTMENTS

The District has recorded prior period adjustments to beginning fund balance and net position as listed below. To date, the District and its previous auditor have not reissued the financial statements and related independent auditor's reports in the fiscal 2024 annual financial report.

Fund Balance on C-3 - September 1 (Beginning)	\$	25,467,238
Foundation Allotment Revenue, Student Days in August, 2024		1,449,907
Payroll Accrual Adjustment 8/31/2024		<u>142,287</u>
Prior Period Adjustments		<u>1,592,194</u>
Restated Fund Balance on C-3 at 8/31/2024	\$	<u><u>27,059,432</u></u>
Net Position on B-1- September 1 (Beginning)	\$	21,831,103
Insurance Prepaids at 8/31/2024		1,164,044
GASB 101 Compensated Absences Adjustment		(294,726)
Bond defeased on August 23,2024 not removed from long-term debt at 8/31/2024		1,935,000
Foundation Allotment Revenue, Student Days in August, 2024		1,449,907
Payroll Accrual Adjustment 8/31/2024		<u>142,287</u>
Prior Period Adjustments		<u>4,396,512</u>
Restated Net Position on B-1 at 8/31/2024	\$	<u><u>26,227,615</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

NEDERLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 28,907,000	\$ 28,634,000	\$ 28,592,050	\$ (41,950)
5800	State Program Revenues	23,975,000	27,202,240	27,454,635	252,395
5900	Federal Program Revenues	465,000	415,000	399,139	(15,861)
5020	Total Revenues	53,347,000	56,251,240	56,445,824	194,584
EXPENDITURES:					
Current:					
0011	Instruction	30,983,733	32,348,333	32,044,117	304,216
0012	Instructional Resources and Media Services	667,553	678,553	640,437	38,116
0013	Curriculum and Instructional Staff Development	627,074	615,074	534,183	80,891
0021	Instructional Leadership	861,426	907,426	917,519	(10,093)
0023	School Leadership	2,819,270	2,826,270	2,825,794	476
0031	Guidance, Counseling, and Evaluation Services	2,474,389	2,669,389	2,441,068	228,321
0033	Health Services	551,580	564,580	548,531	16,049
0034	Student (Pupil) Transportation	990,737	1,072,737	973,247	99,490
0036	Extracurricular Activities	1,923,165	2,191,430	2,220,015	(28,585)
0041	General Administration	1,295,996	1,375,996	1,375,883	113
0051	Facilities Maintenance and Operations	8,513,441	8,863,376	8,961,965	(98,589)
0052	Security and Monitoring Services	561,831	596,831	598,478	(1,647)
0053	Data Processing Services	1,618,245	1,651,730	1,926,957	(275,227)
0061	Community Services	178,910	204,910	191,509	13,401
Debt Service:					
0071	Principal on Long-Term Liabilities	-	-	199,386	(199,386)
0072	Interest on Long-Term Liabilities	-	-	19,974	(19,974)
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	48,350	48,350	48,350	-
0099	Other Intergovernmental Charges	400,000	340,000	306,658	33,342
6030	Total Expenditures	54,515,700	56,954,985	56,774,071	180,914
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,168,700)	(703,745)	(328,247)	375,498
OTHER FINANCING SOURCES (USES):					
7913	Right-to-Use Lease and SBITA Proceeds	-	-	527,507	527,507
1200	Net Change in Fund Balances	(1,168,700)	(703,745)	199,260	903,005
0100	Fund Balance - Beginning, as Previously Reported	9,512,697	9,512,697	9,512,697	-
1300	Prior Period Adjustment	-	-	1,592,194	1,592,194
	as Restated and Adjusted	9,512,697		11,104,891	1,592,194
3000	Fund Balance - August 31 (Ending)	\$ 8,343,997	\$ 8,808,952	\$ 11,304,151	\$ 2,495,199

NEDERLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2025

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
District's Proportion of the Net Pension Liability (Asset)	0.025020062%	0.029371177%	0.031222701%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 15,283,299	\$ 20,175,165	\$ 18,536,115
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	23,944,658	25,828,682	23,375,919
Total	<u>\$ 39,227,957</u>	<u>\$ 46,003,847</u>	<u>\$ 41,912,034</u>
District's Covered Payroll	\$ 36,620,619	\$ 36,184,322	\$ 35,950,955
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	41.73%	55.76%	51.56%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.51%	73.15%	75.62%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2024 for year 2025, August 31, 2023 for year 2024, August 31, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, and August 31, 2015 for year 2016.

FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015
0.030392235%	0.028709165%	0.029190623%	0.026089196%	0.025012873%	0.023781989%	0.025257%
\$ 7,739,827	\$ 15,376,043	\$ 15,174,199	\$ 14,360,126	\$ 7,997,769	\$ 8,986,860	\$ 8,928,013
11,198,438	23,800,879	22,829,956	25,532,923	15,435,493	17,760,713	17,766,674
\$ 18,938,265	\$ 39,176,922	\$ 38,004,155	\$ 39,893,049	\$ 23,433,262	\$ 26,747,573	\$ 26,694,687
\$ 35,144,034	\$ 33,955,039	\$ 31,589,473	\$ 30,315,248	\$ 29,377,046	\$ 27,090,583	\$ 27,065,668
22.02%	45.28%	48.04%	47.37%	27.22%	33.17%	32.99%
88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

NEDERLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2025

	2025	2024	2023
Contractually Required Contribution	\$ 1,465,176	\$ 1,393,473	\$ 1,836,210
Contribution in Relation to the Contractually Required Contribution	(1,465,176)	(1,393,473)	(1,836,210)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 36,957,175	\$ 36,617,781	\$ 36,184,322
Contributions as a Percentage of Covered Payroll	3.96%	3.81%	5.07%

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

2022	2021	2020	2019	2018	2017	2016
\$ 1,422,286	\$ 1,275,271	\$ 1,176,210	\$ 982,027	\$ 937,096	\$ 819,776	\$ 1,025,594
(1,422,286)	(1,275,271)	(1,176,210)	(982,027)	(937,096)	(819,776)	(1,025,594)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 35,950,955	\$ 35,144,034	\$ 33,955,039	\$ 31,589,473	\$ 30,315,248	\$ 29,377,046	\$ 27,090,583
3.96%	3.63%	3.46%	3.11%	3.09%	2.79%	3.79%

NEDERLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2025

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.038455978%	0.041596831%	0.043039624%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 11,671,979	\$ 9,208,833	\$ 10,305,410
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	14,624,831	11,111,873	12,570,981
Total	<u>\$ 26,296,810</u>	<u>\$ 20,320,706</u>	<u>\$ 22,876,391</u>
District's Covered Payroll	\$ 36,620,619	\$ 31,357,669	\$ 31,158,305
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	31.87%	29.37%	33.07%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.70%	14.94%	11.52%

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

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

FY 2022 Plan Year 2021		FY 2021 Plan Year 2020		FY 2020 Plan Year 2019		FY 2019 Plan Year 2018		FY 2018 Plan Year 2017	
0.044415125%		0.042351896%		0.043420872%		0.038491887%		0.03665197%	
\$	17,132,898	\$	16,099,868	\$	20,534,263	\$	19,219,351	\$	15,938,567
22,954,266		21,634,364		27,285,442		26,301,396		23,114,220	
\$	40,087,164	\$	37,734,232	\$	47,819,705	\$	45,520,747	\$	39,052,787
\$	35,144,034	\$	33,955,039	\$	31,589,473	\$	30,315,248	\$	29,377,046
48.75%		47.42%		65.00%		63.40%		54.26%	
6.18%		4.99%		2.66%		1.57%		0.91%	

NEDERLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2025

	2025	2024	2023
Contractually Required Contribution	\$ 359,473	\$ 312,674	\$ 325,376
Contribution in Relation to the Contractually Required Contribution	(359,473)	(312,674)	(325,376)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 36,957,175	\$ 36,617,781	\$ 31,357,669
Contributions as a Percentage of Covered Payroll	0.97%	0.85%	1.04%

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

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

2022	2021	2020	2019	2018
\$ 317,544	\$ 333,587	\$ 283,951	\$ 266,800	\$ 250,200
(317,544)	(333,587)	(283,951)	(266,800)	(250,200)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 31,158,305	\$ 35,144,034	\$ 33,955,039	\$ 31,589,473	\$ 30,315,248
1.02%	0.95%	0.84%	0.84%	0.83%

REQUIRED TEA SCHEDULES

NEDERLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2016 and prior years	Various	Various	\$ Various
2017	1.040000	0.120000	2,183,491,379
2018	1.040000	0.110000	2,366,926,261
2019	1.060000	0.090000	2,400,432,435
2020	0.970000	0.360000	2,681,204,361
2021	0.915200	0.360000	2,960,741,060
2022	0.872000	0.300000	3,206,505,461
2023	0.872000	0.300000	3,353,216,798
2024	0.698200	0.300000	3,481,152,374
2025 (School year under audit)	0.736900	0.230000	3,651,392,829
1000 TOTALS			
8000 Total Taxes Refunded Under Section 26.1115, Tax Code			

Footnote: Included in Debt Service Collections is \$354,356 of Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code.

(10) Beginning Balance 9/1/2024	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2025	(99) Taxes Refunded Under Section 26.1115c
\$ 203,131	\$	\$ 4,371	\$ 447	\$ (48,300)	\$ 150,013	
44,955		1,786	206	-	42,963	
54,137		3,111	329	-	50,697	
54,722		6,421	545	-	47,756	
78,382		8,847	3,283	-	66,252	
118,323		9,334	3,672	(8,885)	96,432	
142,782		(38,881)	(13,376)	(88,744)	106,295	
254,645		(113,128)	(38,920)	(217,574)	189,119	
413,429		(32,094)	(13,790)	(184,988)	274,325	
	35,305,317	26,226,037	8,539,983	70,466	609,763	
<u>\$ 1,364,506</u>	<u>\$ 35,305,317</u>	<u>\$ 26,075,804</u>	<u>\$ 8,482,379</u>	<u>\$ (478,025)</u>	<u>\$ 1,633,615</u>	
						<u>\$ 17,352</u>

NEDERLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,040,000	\$ 1,150,000	\$ 1,145,359	\$ (4,641)
5800	State Program Revenues	14,000	14,000	17,210	3,210
5900	Federal Program Revenues	2,000,000	2,128,000	2,126,229	(1,771)
5020	Total Revenues	3,054,000	3,292,000	3,288,798	(3,202)
EXPENDITURES:					
Current:					
0035	Food Services	3,508,000	3,869,614	3,856,312	13,302
6030	Total Expenditures	3,508,000	3,869,614	3,856,312	13,302
1200	Net Change in Fund Balances	(454,000)	(577,614)	(567,514)	10,100
0100	Fund Balance - September 1 (Beginning)	1,348,191	1,348,191	1,348,191	-
3000	Fund Balance - August 31 (Ending)	\$ 894,191	\$ 770,577	\$ 780,677	\$ 10,100

NEDERLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 8,947,000	\$ 8,947,000	\$ 8,936,477	\$ (10,523)
5800 State Program Revenues	1,200,000	1,200,000	1,091,975	(108,025)
5020 Total Revenues	10,147,000	10,147,000	10,028,452	(118,548)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	5,441,667	5,441,667	4,535,001	906,666
0072 Interest on Long-Term Liabilities	4,922,757	4,922,757	4,862,192	60,565
0073 Bond Issuance Cost and Fees	6,000	6,000	3,300	2,700
6030 Total Expenditures	10,370,424	10,370,424	9,400,493	969,931
1200 Net Change in Fund Balances	(223,424)	(223,424)	627,959	851,383
0100 Fund Balance - September 1 (Beginning)	5,161,438	5,161,438	5,161,438	-
3000 Fund Balance - August 31 (Ending)	\$ 4,938,014	\$ 4,938,014	\$ 5,789,397	\$ 851,383

NEDERLAND INDEPENDENT SCHOOL DISTRICT
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2025

Section A: Compensatory Education Programs

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	3,673,076
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30)	2,034,657

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	433,943
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PIC 25)	239,762

FEDERAL AWARDS SECTION

January 19, 2026

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

Board of Trustees
Nederland Independent School District
220 N. 17th Street
Nederland, Texas 77627

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nederland 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, and have issued our report thereon dated January 19, 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 identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants

January 19, 2026

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Nederland Independent School District
220 N. 17th Street
Nederland, Texas 77627

Members of the Board:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Report on Internal Control over Compliance

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

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

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

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

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants

NEDERLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2025

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unmodified

Internal control over financial reporting:

- Material weakness identified? _____ yes ✓ no
- Significant deficiency identified? _____ yes ✓ none reported

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

- Material weakness identified? _____ yes ✓ no
- Significant deficiency identified? _____ yes ✓ none reported

Type of auditor’s report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to
be reported in accordance with Title 2 U.S. Code of
Federal Regulations (CFR)200.516(a)? _____yes ✓ no

Identification of major programs:

<u>Federal Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
	<u>Child Nutrition Cluster</u>
<u>10.553</u>	<u>School Breakfast Program</u>
<u>10.555</u>	<u>National School Lunch Program</u>

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

Auditee qualified as low-risk auditee? ✓ yes _____ no

NEDERLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2025
(CONTINUED)

Section II – Financial Statement Findings

--NONE NOTED--

Section III – Federal Award Findings and Questioned Costs

--NONE NOTED--

NEDERLAND INDEPENDENT SCHOOL DISTRICT

**STATUS OF PRIOR YEAR'S FINDINGS
YEAR ENDED AUGUST 31, 2025**

--NONE NOTED--

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Education Agency</u>			
*IDEA - Part B, Title VI, Formula	84.027 A	256600011239056600	\$ 1,256,079
*IDEA - Part B, Title VI, Disc Residential	84.027 A	66002512	152,029
Total Assistance Listing Number 84.027			1,408,108
*IDEA - Part B, Title VI, Preschool	84.173 A	256610011239056610	43,174
Total Special Education Cluster (IDEA)			1,451,282
ESEA, Title I, Part A - Improving Basic Programs	84.010 A	25610101123905	715,752
24-25 Perkins V: Strengthening CTE for 21st Century	84.048 A	25420006123905	53,346
ESEA, Title II, Part A, Supporting Effective Instruction	84.367 A	25694501123905	200,050
Title III, Part A - English Language Acquisition	84.365 A	25671001123905	71,678
ESEA, Title III, Part A, Immigrant	84.365 A	25671003123905	3,880
Total Assistance Listing Number 84.365			75,558
ESEA, Title IV, Part A, Subpart 1	84.424 A	25680101123905	57,699
LEP Summer School	84.369 A	24680101123905	4,090
Total Passed Through Texas Education Agency			2,557,777
TOTAL U.S. DEPARTMENT OF EDUCATION			2,557,777
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Health and Human Services Commission</u>			
Medicaid Administrative Claiming Program - MAC	93.778	HHS000537900101	7,786
Total Medicaid Cluster			7,786
Total Passed Through Texas Health and Human Services Commission			7,786
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			7,786
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the Texas Department of Agriculture</u>			
*School Breakfast Program	10.553	714025	363,810
*National School Lunch Program	10.555	713025	1,518,661
Total Child Nutrition Cluster			1,882,471
*Commodity Supplemental Program	10.565		236,656
Total Food Distribution Cluster			236,656
State Administrative Expense	10.560		7,102
Total Passed Through the Texas Department of Agriculture			2,126,229
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,126,229
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,691,792
*Clustered Programs			

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

NEDERLAND INDEPENDENT SCHOOL DISTRICT

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

1. The accompanying Schedule Of Expenditures Of Federal Awards (Schedule) includes the federal grant activity Nederland Independent School District (the District) under programs of the Federal government for the year ended August 31, 2025. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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.
2. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.
3. The District utilizes the fund types specified in the Texas Education Agency's Financial Accountability System Resource Guide. Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
4. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Fund, a component of the Governmental Fund type. 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 the Governmental Fund Types and Agency 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 fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

5. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date or as specified in a program regulation, in accordance with provisions in Office of Management and Budget (OMB) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* - Section 200.343 Closeout.
6. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
7. A reconciliation of Federal Revenue reported on Exhibit C-3 to Federal Revenue reported on the Schedule of Expenditures of Federal Awards (Exhibit K-1) follows:

Federal Revenue Reported on Exhibit K-1	\$ 4,691,792
SHARS Medicaid Revenue	98,200
E-Rate	29,711
Qualified School Construction Bond Tax Credit	<u>263,442</u>
Federal Revenue Reported on Exhibit C-3	<u><u>\$ 5,083,145</u></u>

SCHOOLS FIRST QUESTIONNAIRE

EXHIBIT L-1

Nederland Independent School District

Fiscal Year 2025

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 Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If payments were not made or warrant hold not cleared within 30 days of when due, then payments are NOT timely.)	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, answer is still YES.)	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 and/or substantial doubt about the district's ability to continue as a going concern?	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 district's administration and school board members discuss any changes and/or impact to local, state, and federal funding 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.	0