

**SULPHUR SPRINGS
INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2025**

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SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2025

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibits</u>
INTRODUCTORY SECTION		
Certificate of Board	3	
FINANCIAL SECTION		
<u>Independent Auditor's Reports:</u>		
Report on Basic Financial Statements	5	
Report on Internal Controls and Compliance (<i>Government Auditing Standards</i>).....	8	
Report on Internal Control over Compliance in Accordance with OMB Circular A-133.....	10	
Schedule of Findings and Questioned Costs	12	
Management's Discussion and Analysis (Required Supplementary Information)	17	
<u>Basic Financial Statements:</u>		
Government-wide Financial Statements:		
Statement of Net Position	26	A-1
Statement of Activities	27	B-1
Fund Financial Statements:		
Balance Sheet – Governmental Funds.....	28	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	29	C-2
Statement of Revenues, Expenditures and Changes in		
Fund Balances – Governmental Funds	30	C-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities	31	C-4
Statement of Fund Net Position – Proprietary Funds	32	D-1
Statement of Revenues, Expenses and Changes in		
Net Position – Proprietary Funds.....	33	D-2
Statement of Cash Flows – Proprietary Funds.....	34	D-3
Statement of Fiduciary Net Position – Fiduciary Funds.....	35	E-1
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	36	E-2
Notes to the Basic Financial Statements	37	
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule – General Fund	62	G-1
Schedule of District's Proportionate Share of the Net Pension Liability	63	G-2
Schedule of District Pension Contributions	64	G-3
Schedule of District's Proportionate Share of the OPEB Liability	65	G-4
Schedule of District OPEB Contributions	66	G-5
Notes to Required Supplementary Information	67	
<u>Other Information Section:</u>		
Schedule of Delinquent Taxes Receivable.....	69	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
School Breakfast and National School Lunch Program.....	70	J-3
Debt Service Fund	71	J-4
Schedule of Required Responses to Selected School FIRST Indicators	72	J-5
Schedule of Required Responses to State Mandated Program Requirements	73	J-6
FEDERAL AWARDS SECTION		
Schedule of Expenditures of Federal Awards	75	K-1
Notes to Schedule of Expenditures of Federal Awards	76	K-2

CERTIFICATE OF BOARD

Sulphur Springs Independent School District
Name of School District

Hopkins
County

112-901
Co. Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and
✓ **approved**/ **disapproved** for the year ended August 31, 2025, at a meeting of the board of school
trustees of such school district on January 12, 2026.



Signature of Board Secretary



Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attached list if necessary):

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Sulphur Springs Independent School District

Report on the Financial Statements

Opinions

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 including 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 judgement, 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, budgetary comparison information and schedules related to pension and other post-employment benefit activities 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 information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 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.

A handwritten signature in blue ink that reads "Rutherford, Taylor & Company PC". The signature is written in a cursive, flowing style.

January 5, 2026
Greenville, Texas

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*

Members of the Board
Sulphur Springs Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sulphur Springs Independent School District (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 5, 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.

Rutherford, Taylor & Company PC

January 5, 2026
Greenville, Texas

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

Members of the Board
Sulphur Springs Independent School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sulphur Springs Independent School District's (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 type 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, 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 judgement 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.

Internal Control over Compliance with the Uniform Guidance – Continued

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

- Exercise professional judgement 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 weakness, 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.

Purpose of This Report

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.



January 5, 2026
Greenville, Texas

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

Summary of Auditor's Results (Section I)

Financial Statements –

Type of auditor's report issued	Unmodified Opinion
Internal Control over Financial Reporting:	
Material Weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to the financial statements noted	None

Federal Awards –

Internal control over major programs:	
Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of Auditor's report issued on compliance for major programs	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	No
Identification of major programs	Headstart (93.600)
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Entity qualified as a low risk auditee	Yes
Pass-through Entity	Texas Education Agency

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

Financial Statement Findings (Section II)

NONE

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

Federal Award Findings and Questioned Costs (Section III)

NONE

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

Prior Year Findings (Section IV)

NONE

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

Corrective Action Plans (Section V)

NONE

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2025

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

FINANCIAL HIGHLIGHTS

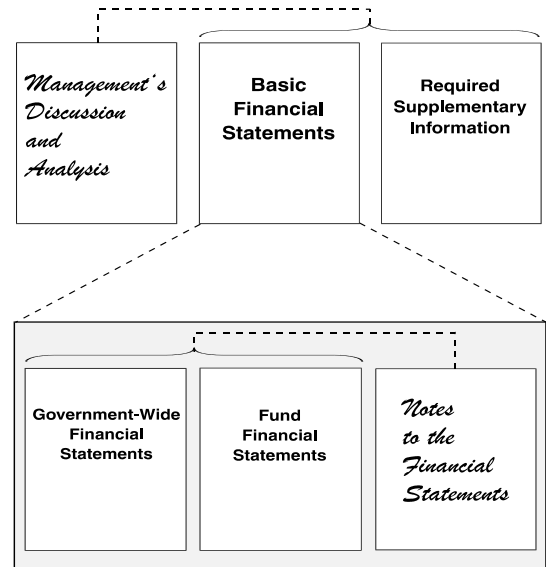
- The District's Net Position was \$ 23,521,724 at year end.
- During the year, the District's expenses were \$ 5,489,762 less than the \$ 65,489,358 in taxes and other revenues for governmental activities.
- Total expenses for the year increased 1.26% over the prior year total with current year revenues increasing 6.64%.
- The General Fund reported a fund balance this year of \$ 12,824,578, an increase of \$ 729,580 from the prior year.
- General obligation bonds totaling \$ 48,775,000 were issued to provide for new facilities and improvements to existing structures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



The basic financial statements also include notes that explain some of the information in the basic 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 basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2025

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

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

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

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 the following 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 on the subsequent page that explain 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.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2025

- **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

The District's combined net position was \$ 23,521,724 at August 31, 2025.

Sulphur Springs Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change
	2025	2024	2024-2025
Assets:			
Cash and Investments	\$ 113,140,430	\$ 76,170,843	48.54%
Other Assets	4,240,515	5,594,782	-24.21%
Capital Assets less Accumulated Depreciation	83,947,034	61,138,493	37.31%
Total Assets	\$ 201,327,979	\$ 142,904,118	40.88%
Total Deferred Outflows of Resources	\$ 9,355,794	\$ 10,861,713	-13.86%
Liabilities:			
Current Liabilities	\$ 12,076,396	\$ 3,779,071	219.56%
Long-term Liabilities	164,370,003	118,631,231	38.56%
Total Liabilities	\$ 176,446,399	\$ 122,410,302	44.14%
Total Deferred Inflows of Resources	\$ 10,715,650	\$ 13,323,567	-19.57%
Net Position:			
Net Investment in Capital Assets	\$ 26,790,322	\$ 22,346,817	19.88%
Restricted	9,510,713	10,091,212	-5.75%
Unrestricted	(12,779,311)	(14,406,067)	11.29%
Total Net Position	\$ 23,521,724	\$ 18,031,962	-14.56%

Approximately \$ 8,472,494 of the District's restricted net position represent funds collected for debt retirement. These funds are restricted for debt retirement. The unrestricted net asset represents resources available to fund the programs of the District next year.

CHANGES IN NET POSITION

The District's total revenues were \$ 65,489,364. 32% of the District's revenue comes from local property taxes (See Table A-2). 57% comes from state aid and federal grants, while 11% relates to charges for services and other sources.

The total cost of all programs and services was \$ 59,999,596. 52% of these costs are for instruction and instructional related staff and student services.

The District's current tax collection rate (base tax only – current and delinquent) was 99.11%. The total collection rate (base tax plus penalty and interest) was 101.31%.

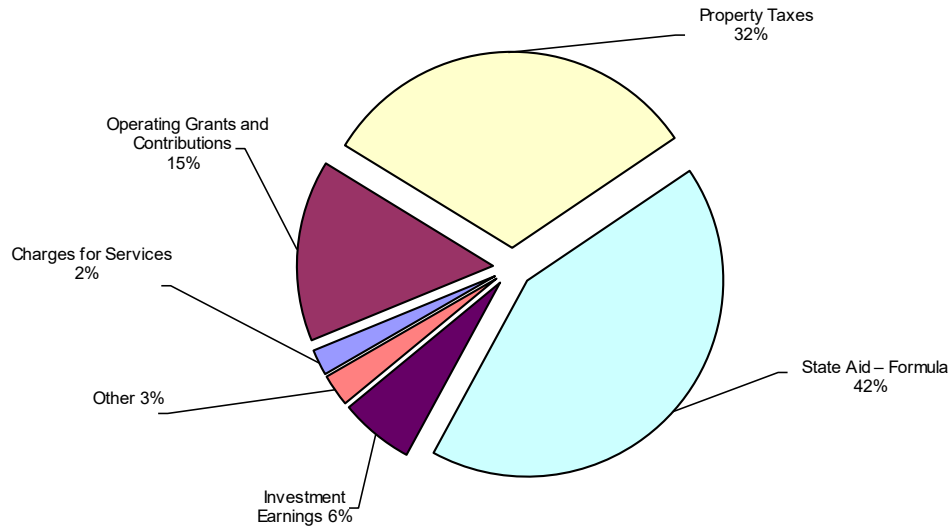
SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2025

GOVERNMENTAL ACTIVITIES

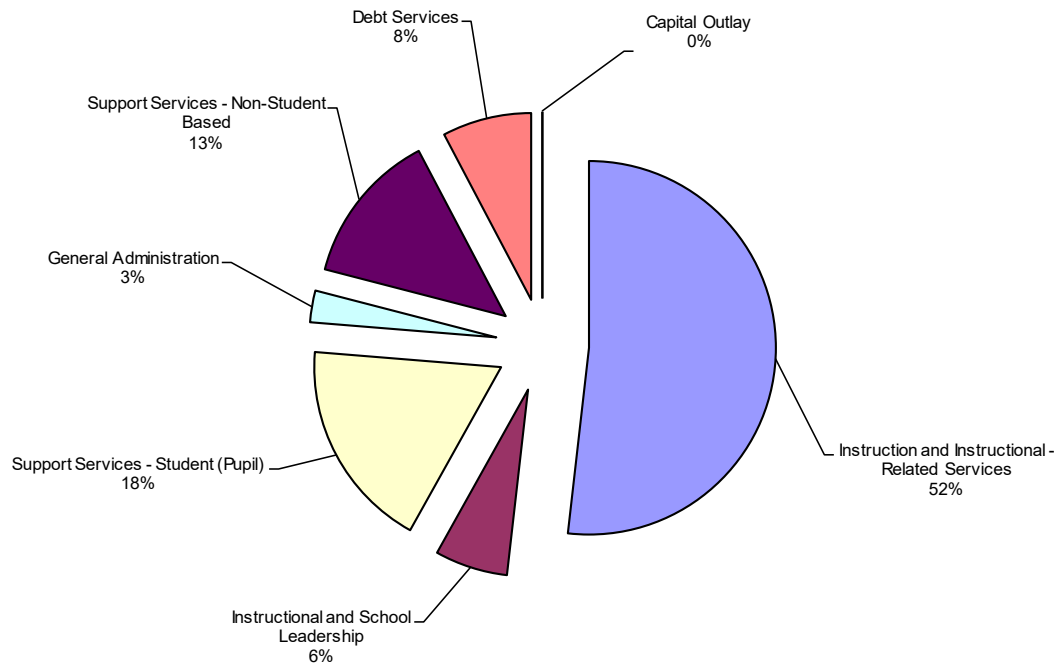
			Table A-2
Changes in Sulphur Springs Independent School District's Net Position			
	Governmental Activities		Total Percentag Change
	2025	2024	2024-2025
Program Revenues:			
Charges for Services	\$ 1,397,748	\$ 1,644,352	-15.00%
Operating Grants and Contributions	9,794,834	12,039,794	-18.65%
General Revenues:			
Property Taxes	20,811,206	18,146,154	14.69%
State Aid – Formula	27,755,758	27,658,832	0.35%
Investment Earnings	3,997,734	1,484,563	169.29%
Other	1,732,078	435,575	297.65%
Total Revenues	<u>\$ 65,489,358</u>	<u>\$ 61,409,270</u>	6.64%
Expenses:			
Instruction	\$ 30,116,385	\$ 32,442,563	-7.17%
Instructional Resources and Media Services	504,070	580,323	-13.14%
Curriculum and Staff Development	460,337	539,951	-14.74%
Instructional Leadership	2,047,903	2,146,703	-4.60%
School Leadership	1,726,795	1,854,952	-6.91%
Guidance, Counseling and Evaluation Services	1,309,060	1,418,406	-7.71%
Social Work Services	248,808	281,721	-11.68%
Health Services	625,729	669,440	-6.53%
Student Transportation	1,759,663	2,052,653	-14.27%
Food Services	3,094,274	3,171,070	-2.42%
Cocurricular/Extracurricular Activities	3,877,959	3,963,906	-2.17%
General Administration	1,646,250	1,632,271	0.86%
Facilities Maintenance and Operations	5,355,673	5,107,867	4.85%
Security and Monitoring Services	2,158,507	711,208	203.50%
Data Processing Services	439,097	507,197	-13.43%
Community Services	4,385	3,157	38.90%
Debt Service	4,624,701	2,072,191	123.18%
Capital Outlay	-	96,702	-100.00%
Total Expenses	<u>\$ 59,999,596</u>	<u>\$ 59,252,281</u>	1.26%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ 5,489,762</u>	<u>\$ 2,156,989</u>	154.51%
Increase (Decrease) in Net Position	\$ 5,489,762	\$ 2,156,989	154.51%
Net Position - Beginning (September 1)	<u>18,031,962</u>	<u>15,874,973</u>	13.59%
Net Position - Ending (August 31)	<u>\$ 23,521,724</u>	<u>\$ 18,031,962</u>	30.44%

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2025

Sources of Revenue for Fiscal Year 2025- See Table A-2



Functional Expenses for Fiscal Year 2025 - See Table A-2



SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2025

- Table A-3 presents the cost of selected District functions as well as the selected functions' 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 \$ 59,999,596.
- However, the amount that our taxpayers paid for these activities through local property taxes was only \$ 20,811,206.
- Some of the cost was paid by those who directly benefited from the programs, \$ 1,397,748, or
- By grants and contributions, \$ 9,794,834.

Sulphur Springs Independent School District's Net Cost of Selected District Functions						Table A-3
	Total Cost of Services		% Change	Net Cost of Services		% Change
	2025	2024		2025	2024	
Instruction	\$ 30,116,385	\$ 32,442,563	-7.17%	\$ 26,343,397	\$ 25,900,134	1.71%
School Leadership	1,726,795	1,854,952	-6.91%	1,618,079	1,683,351	-3.88%
General Administration	1,646,250	1,632,271	0.86%	1,618,440	1,573,848	2.83%
Facilities Maintenance and Operations	5,355,673	5,107,867	4.85%	5,236,724	4,604,132	13.74%
Debt Service	4,624,701	2,072,191	123.18%	4,168,236	1,585,693	162.87%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$ 66,786,511, which represents a \$ 4,822,260 increase over the prior year revenues of \$ 61,964,251. This year increase is related to investment income and bond proceeds as well as additional state aid earned under the state funding formula related to enrollment and attendance.

Expenditures of governmental fund types totaled \$ 90,115,308 for the year. This is an increase of \$ 28,623,407 from the prior year total of \$ 61,491,901. The increase reflects additional payments for increased salaries to personnel related to state changes in HB3 as well as overall operating costs throughout the District. Construction costs related to new and expanded facilities along with debt issuance costs contributed to the increase.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 618,610 below General Fund final budget amounts. The largest positive variances are reflective of lower than anticipated expenditures incurred in instruction as well as student transportation.

Resources available were \$ 1,368,015 above the final General Fund budgeted amount. This favorable variance reflects better than anticipated state funding related to enrollment and attendance.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2025

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At year end, the District had invested \$ 140,353,187 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

Sulphur Springs Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total Percentage Change 2024-2025
	2025	2024	
Land	\$ 1,667,834	\$ 862,613	93.35%
Construction in Progress	25,800,821	893,460	2787.74%
Buildings and Improvements	100,462,591	100,410,066	0.05%
Equipment	5,099,099	4,530,978	12.54%
Vehicles	6,826,379	6,446,377	5.89%
Right of Use Leases	496,463	759,224	-34.61%
Totals at Historical Cost	\$ 140,353,187	\$ 113,902,718	23.22%
Less Accumulated Depreciation	(56,406,153)	(52,764,225)	6.90%
Net Capital Assets	\$ 83,947,034	\$ 61,138,493	37.31%

DEBT

At year end, the District had \$ 138,727,117 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Bond Ratings -
The District's bonds
presently carry "AAA"
ratings.

Sulphur Springs Independent School District's Debt			Table A-5
	Governmental Activities		Total Percentage Change 2024-2025
	2025	2024	
General Obligation Bonds	\$ 128,375,000	\$ 83,830,000	53.14%
Direct Borrowings Payable	4,490,000	4,850,000	-7.42%
Right of Use Leases Payable	360,984	473,450	-23.75%
Other Debt Payable	5,501,133	4,053,597	35.71%
Total Debt Payable	\$ 138,727,117	\$ 93,207,047	48.84%

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2025

ECONOMIC FACTORS

The District's property valuation has continued to increase as economic conditions have improved following the COVID pandemic. This has provided stable tax revenues to the District. Local property tax rates for maintenance and operations are restricted by statute to \$.97, without local elections. In prior years, the State Legislature passed House Bill 2 (HB2) which included various changes to the property tax rate structure limiting school districts' opportunities for tax modifications and requires compressing the rates charged to taxpayers. During the latest session of the Texas Legislature, the bodies passed Senate Bill 2 (SB2) which provides various increases in the homestead exemption. These changes affecting debt retirement are to be funded with additional state funds. The legislature mandated various levels of compensation increases to teachers beginning in the 2025-2026 fiscal year along with limited funding for the base payroll. Benefits generated from these increases are the responsibility of the district. This and additional changes required under the new legislation could impact on the District's financial operations, including cash flows.

The State has increased funding levels for the 2025 - 2027 biennium, which will affect the revenue levels of the District. The level of funding per attendance credits increased but the continued tax compression rate and expanded homestead exemption level will reduce the local effort for revenues. This reduction is to be supported by the State in its annual foundation support. With these changes in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

Student population has remained at a steady historical growth rate in the District. The economic outlook for the area is for growth to be fairly stable, as indicated by property value increases in prior years. Housing has begun expanding thus providing additional tax base and student population growth. The District's location is in a geographic position to see further population growth. These economic conditions should allow the District to maintain constant funding and staffing levels in future years but must plan for increased student populations and facility needs.

With the state's failure to provide a meaningful increase in funding for changing economic conditions, increased spending for personnel salaries and other necessary costs will continue to place pressure on the finances of all school districts operating across the state. The District is monitoring these conditions and will continue to seek options to control spending while maintaining educational programs for its student population.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2025

Data Control Codes	1
	Governmental Activities
ASSETS	
1110 Cash and Investments	\$ 113,140,430
1225 Property Taxes Receivable, Net	1,126,802
1240 Due from Other Governments	3,083,823
1300 Inventories, at Cost	29,890
Capital Assets:	
1510 Land	1,667,834
1520 Buildings and Improvements, Net	51,922,787
1530 Furniture and Equipment, Net	4,208,068
1550 Right of Use Assets, Net	347,524
1580 Construction in Progress	25,800,821
1000 Total Assets	\$ 201,327,979
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Outflows - Refunding	\$ 1,754,476
1705 Deferred Outflows - Pensions	3,534,925
1706 Deferred Outflows - OPEB	4,066,393
1700 Total Deferred Outflows of Resources	\$ 9,355,794
LIABILITIES	
2110 Accounts Payable	\$ 8,462,346
2140 Interest Payable	249,891
2165 Accrued Liabilities	2,936,574
2180 Due to Other Governments	300
2300 Unearned Revenues	427,285
Noncurrent Liabilities:	
2501 Due within one year	2,805,543
2502 Due in more than one year	135,921,574
2540 Net Pension Liability	14,907,769
2545 OPEB Liability	10,735,117
2000 Total Liabilities	\$ 176,446,399
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflows - Pensions	\$ 748,485
2606 Deferred Inflows - OPEB	9,967,165
2600 Total Deferred Inflows of Resources	\$ 10,715,650
NET POSITION	
3200 Net Investments in Capital Assets	\$ 26,790,322
Restricted For:	
3820 Federal and State Programs	1,038,219
3850 Debt Service	8,472,494
3900 Unrestricted	(12,779,311)
3000 Total Net Position	\$ 23,521,724

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2025

		1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Program Revenues			
			Operating		
			Charges for	Grants and	Governmental
Codes	Functions/Programs	Expenses	Services	Contributions	Activities
Governmental Activities:					
11	Instruction	\$ 30,116,385	\$ 148,318	\$ 3,624,670	\$ (26,343,397)
12	Instructional Resources and Media Services	504,070	-	20,341	(483,729)
13	Curriculum and Staff Development	460,337	-	69,655	(390,682)
21	Instructional Leadership	2,047,903	-	596,300	(1,451,603)
23	School Leadership	1,726,795	-	108,716	(1,618,079)
31	Guidance, Counseling and Evaluation Services	1,309,060	-	179,138	(1,129,922)
32	Social Work Services	248,808	-	56,092	(192,716)
33	Health Services	625,729	-	102,600	(523,129)
34	Student Transportation	1,759,663	-	149,271	(1,610,392)
35	Food Services	3,094,274	144,709	2,936,444	(13,121)
36	Cocurricular/Extracurricular Activities	3,877,959	1,070,133	20,041	(2,787,785)
41	General Administration	1,646,250	-	27,810	(1,618,440)
51	Facilities Maintenance and Operations	5,355,673	34,588	84,361	(5,236,724)
52	Security and Monitoring Services	2,158,507	-	1,345,469	(813,038)
53	Data Processing Services	439,097	-	13,008	(426,089)
61	Community Services	4,385	-	4,453	68
72	Interest on Long-term Debt	4,147,434	-	456,465	(3,690,969)
73	Debt Issuance Costs and Fees	477,267	-	-	(477,267)
TG	Total Governmental Activities	<u>\$ 59,999,596</u>	<u>\$ 1,397,748</u>	<u>\$ 9,794,834</u>	<u>\$ (48,807,014)</u>
TP	Total Primary Government	<u>\$ 59,999,596</u>	<u>\$ 1,397,748</u>	<u>\$ 9,794,834</u>	<u>\$ (48,807,014)</u>
General Revenues:					
MT	Property Taxes, Levied for General Purposes				\$ 13,600,366
DT	Property Taxes, Levied for Debt Service				7,210,840
IE	Investment Earnings				3,997,734
SF	State Aid - Formula Grants				27,755,758
MI	Miscellaneous				<u>1,732,078</u>
TR	Total General Revenues				<u>\$ 54,296,776</u>
CN	Change in Net Position				\$ 5,489,762
NB	Net Position - Beginning (September 1)				<u>18,031,962</u>
NE	Net Position - Ending (August 31)				<u><u>\$ 23,521,724</u></u>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	onmf Other Governmental Funds	98 Total Governmental Funds
ASSETS					
1110 Cash and Investments	\$ 13,324,225	\$ 8,413,458	\$ 89,583,332	\$ 1,671,183	\$ 112,992,198
1225 Property Taxes Receivable, Net	799,887	326,915	-	-	1,126,802
1240 Due from Other Governments	2,423,175	-	-	660,648	3,083,823
1300 Inventories	29,890	-	-	-	29,890
1000 Total Assets	<u>\$ 16,577,177</u>	<u>\$ 8,740,373</u>	<u>\$ 89,583,332</u>	<u>\$ 2,331,831</u>	<u>\$ 117,232,713</u>
LIABILITIES					
Current Liabilities:					
2110 Accounts Payable	\$ 45,777	\$ -	\$ 8,114,588	\$ 165,010	\$ 8,325,375
2150 Payroll Deductions and Withholdings	214,470	-	-	-	214,470
2160 Accrued Wages Payable	2,360,340	-	-	273,338	2,633,678
2170 Due to Other Funds	1,164	-	-	-	1,164
2180 Due to Other Governments	-	-	-	300	300
2200 Accrued Expenditures	56,747	-	-	31,679	88,426
2300 Unearned Revenue	274,214	17,988	-	135,083	427,285
2000 Total Liabilities	<u>\$ 2,952,712</u>	<u>\$ 17,988</u>	<u>\$ 8,114,588</u>	<u>\$ 605,410</u>	<u>\$ 11,690,698</u>
DEFERRED INFLOWS OF RESOURCES					
2610 Deferred Property Taxes	\$ 799,887	\$ 326,915	\$ -	\$ -	\$ 1,126,802
2600 Total Deferred Inflows of Resources	<u>\$ 799,887</u>	<u>\$ 326,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,126,802</u>
FUND BALANCES					
Nonspendable Fund Balances:					
3410 Inventories	\$ 29,890	\$ -	\$ -	\$ -	\$ 29,890
Restricted Fund Balances:					
3450 Federal/State Funds Grants	-	-	-	283,511	283,511
3480 Retirement of Long-Term Debt	-	8,395,470	-	-	8,395,470
3490 Other Restrictions of Fund Balance	24,650	-	81,468,744	-	81,493,394
Committed Fund Balances:					
3545 Other Committed Fund Balance	-	-	-	1,442,910	1,442,910
Assigned Fund Balances:					
3590 Other Assigned Fund Balance	1,436,154	-	-	-	1,436,154
3600 Unassigned	11,333,884	-	-	-	11,333,884
3000 Total Fund Balances	<u>\$ 12,824,578</u>	<u>\$ 8,395,470</u>	<u>\$ 81,468,744</u>	<u>\$ 1,726,421</u>	<u>\$ 104,415,213</u>
4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,577,177</u>	<u>\$ 8,740,373</u>	<u>\$ 89,583,332</u>	<u>\$ 2,331,831</u>	<u>\$ 117,232,713</u>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2025

Total fund balances - Balance Sheet (governmental funds)	\$	104,415,212
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not reported in the funds.	83,599,510	
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,126,802	
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	12,426	
Payables for bond principal which are not due in the current period are not reported in the funds.	(128,375,000)	
Payables for right of use leases which are not due in the current period are not reported in the funds.	(360,984)	
Payables for debt interest which are not due in the current period are not reported in the funds.	(249,891)	
Payables for direct borrowings which are not due in the current period are not reported in the funds.	(4,490,000)	
Payables for compensated absences which are not due in the current period are not reported in the funds.	(101,660)	
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	1,754,476	
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(14,907,769)	
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(748,485)	
Deferred Resource Outflows related to the pension plan are not reported in the funds.	3,534,925	
Bond premiums are amortized in the SNA but not in the funds.	(5,399,473)	
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(10,735,117)	
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(9,967,165)	
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	4,066,393	
Right of use lease assets used in governmental activities are not reported in the funds.	<u>347,524</u>	

Net position of governmental activities - Statement of Net position	\$	<u>23,521,724</u>
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The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	onmf Other Governmental Funds	98 Total Governmental Funds
REVENUES					
5700 Local and Intermediate Sources	\$ 16,129,787	\$ 7,638,287	\$ 2,786,494	\$ 1,173,172	\$ 27,727,740
5800 State Program Revenues	30,033,827	456,465	-	1,593,005	32,083,297
5900 Federal Program Revenues	111,743	-	-	6,863,731	6,975,474
5020 Total Revenues	\$ 46,275,357	\$ 8,094,752	\$ 2,786,494	\$ 9,629,908	\$ 66,786,511
EXPENDITURES					
Current:					
0011 Instruction	\$ 26,722,068	\$ -	\$ -	\$ 3,120,711	\$ 29,842,779
0012 Instructional Resources and Media Services	501,747	-	-	27,518	529,265
0013 Curriculum and Staff Development	421,617	-	-	60,187	481,804
0021 Instructional Leadership	1,618,996	-	-	556,877	2,175,873
0023 School Leadership	1,753,431	-	-	65,300	1,818,731
0031 Guidance, Counseling and Evaluation Services	1,253,370	-	-	149,147	1,402,517
0032 Social Work Services	196,000	-	-	55,274	251,274
0033 Health Services	575,281	-	-	86,890	662,171
0034 Student Transportation	1,784,849	-	-	123,206	1,908,055
0035 Food Services	4,332	-	-	3,425,665	3,429,997
0036 Cocurricular/Extracurricular Activities	1,696,613	-	18,293	941,421	2,656,327
0041 General Administration	1,669,794	-	-	8,225	1,678,019
0051 Facilities Maintenance and Operations	5,251,858	-	25,853	77,766	5,355,477
0052 Security and Monitoring Services	860,690	-	-	1,323,314	2,184,004
0053 Data Processing Services	468,735	-	-	-	468,735
0061 Community Services	-	-	-	4,385	4,385
0071 Principal on Long-term Debt	449,992	4,230,000	-	-	4,679,992
0072 Interest on Long-term Debt	136,624	4,087,128	-	-	4,223,752
0073 Debt Issuance Cost and Fees	500	750	476,017	-	477,267
0081 Capital Outlay	86,500	-	25,798,384	-	25,884,884
6030 Total Expenditures	\$ 45,452,997	\$ 8,317,878	\$ 26,318,547	\$ 10,025,886	\$ 90,115,308
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 822,360	\$ (223,126)	\$ (23,532,053)	\$ (395,978)	\$ (23,328,797)
OTHER FINANCING SOURCES (USES)					
7911 Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ -	\$ 48,775,000	\$ -	\$ 48,775,000
7915 Transfers In	-	-	92,780	7,429	100,209
7916 Premium (Discount) on Issuance of Bonds	-	4,749	1,701,017	-	1,705,766
8911 Transfers Out	(92,780)	-	(7,429)	-	(100,209)
7080 Net Other Financing Sources (Uses)	\$ (92,780)	\$ 4,749	\$ 50,561,368	\$ 7,429	\$ 50,480,766
1200 Net Changes in Fund Balances	\$ 729,580	\$ (218,377)	\$ 27,029,315	\$ (388,549)	\$ 27,151,969
0100 Fund Balance - Beginning (September 1)	12,094,998	8,613,847	54,439,429	2,114,969	77,263,243
3000 Fund Balance - Ending (August 31)	\$ 12,824,578	\$ 8,395,470	\$ 81,468,744	\$ 1,726,420	\$ 104,415,212

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2025

Net change in fund balances - total governmental funds	\$ 27,151,969
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	26,733,230
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,882,931)
The gain or loss on the sale of capital assets is not reported in the funds.	(41,758)
All proceeds from the sale of Capital assets are reported in the funds but not in the SOA.	22,473
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	188,554
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	107,430
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,230,000
Repayment of right of use lease principal is an expenditure in the funds but not an expense in the SOA.	89,993
Repayment of direct borrowings principal is an expenditure in the funds but not an expense in the SOA.	360,000
(Increase) decrease in accrued interest from beginning of period to end of period.	(31,113)
The net revenue (expense) of internal service funds is reported with governmental activities.	8,585
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	4,560
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(48,775,000)
Bond premiums are reported in the funds but not in the SOA.	(1,705,766)
Pension expense is recorded in the SOA but not in the funds.	1,445,559
Pension contributions in the CY are de-expended and recorded as deferred resource outflows.	(1,373,181)
Pension contributions deferred in the PY are expended in the CY.	(699,919)
OPEB expense is recorded in the SOA but not in the funds.	322,879
OPEB contributions in the CY are de-expended and recorded as deferred resource outflows.	(321,757)
OPEB contributions deferred in the PY were expended in the CY.	<u>1,655,955</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 5,489,762</u>

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
AUGUST 31, 2025

Data Control Codes		Internal Service Fund
	ASSETS	
	Current Assets:	
1110	Cash and Investments	\$ 148,233
	Receivables:	
1260	Due from Other Funds	1,164
	Total Current Assets	\$ 149,397
1000	Total Assets	\$ 149,397
	LIABILITIES	
	Current Liabilities:	
2110	Accounts Payable	\$ 136,971
	Total Current Liabilities	\$ 136,971
2000	Total Liabilities	\$ 136,971
	NET POSITION	
3900	Unrestricted Net Position	\$ 12,426
3000	Total Net Position	\$ 12,426

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2025

Data Control Codes		Internal Service Fund
OPERATING REVENUES		
5700	Local and Intermediate Sources	\$ 268,548
5020	Total Operating Revenues	\$ 268,548
OPERATING EXPENSES		
6100	Payroll Costs	\$ 32,664
6200	Professional and Contracted Services	111,519
6400	Other Operating Costs	115,780
6030	Total Operating Expenses	\$ 259,963
1200	Change in Net Position	\$ 8,585
0100	Total Net Position - Beginning (September 1)	3,841
3000	Total Net Position - Ending (August 31)	\$ 12,426

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2025

	Internal Service Fund
Cash Flows from Operating Activities:	
Cash Receipts from Operating Interest	\$ 7,031
Cash Receipts from Others	7,587
Cash Receipts from Quasi-External Operating Transfers	253,930
Cash Payments for Claims	(111,519)
Cash Payments for Administration/Reinsurance	(89,308)
Cash Payments to Employees and Related Benefits	(32,664)
Net Cash Provided by (Used for) Operating Activities	\$ 35,057
Cash Flows from Capital and Other Related Financing Activities:	
NONE	
Cash Flows from Noncapital Financing Activities:	
NONE	
Cash Flows from Investing Activities:	
NONE	
Net Increase (Decrease) in Cash and Investments	\$ 35,057
Cash and Investments - Beginning (September 1)	113,176
Cash and Investments - Ending (August 31)	 \$ 148,233
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Increase (Decrease) in Net Position	\$ 8,585
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Accounts Payable	26,472
Net Cash Provided by (Used for) Operating Activities	 \$ 35,057

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
AUGUST 31, 2025

Data Control Codes		Private-Purpose Trust Fund Scholarship Fund
	ASSETS	
1110	Cash and Investments	\$ 5,096
1000	Total Assets	\$ 5,096
	LIABILITIES	
2110	Accounts Payable	\$ -
2000	Total Liabilities	\$ -
	NET POSITION	
3800	Held in Trust	\$ 5,096
3000	Total Net Position	\$ 5,096

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
YEAR ENDED AUGUST 31, 2025

Data Control Codes		Private-Purpose	
		Trust Fund	
		Scholarship	
		Fund	
ADDITIONS			
5742	Investment Earnings - Interest Revenue	\$	8
5744	Donations		12,000
5020	Total Revenues	\$	12,008
DEDUCTIONS			
6400	Scholarship Payments	\$	12,000
6030	Total Expenses	\$	12,000
1200	Changes in Fiduciary Net Position	\$	8
0100	Net Position - Beginning (September 1)		5,088
3000	Net Position - Ending (August 31)	\$	5,096

The accompanying notes are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees (Board), a seven member 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 as a body corporate 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 (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

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

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

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

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

The District reports on the following major governmental funds:

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

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term Debt principal, interest, and related costs.

Capital Projects Fund- This fund accounts for local funds set aside by the Board and are committed for future construction and improvement projects.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

A. Summary of Significant Accounting Policies (Continued)

In addition, the District reports the following fund types:

Special Revenue Funds – The District accounts for resources restricted to or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Board can commit specific types of resources to specific purposes which are included as special revenue funds.

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

Fiduciary Funds – These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or other governments. These include private-purpose trust and custodial funds. Private-purpose trust funds account for resources, including both principal and earnings, which must be expended according to the provisions of a trust agreement, and are accounted for in essentially the same manner as proprietary funds. The District has no custodial funds.

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

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

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally measurable until they are received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease are reported as other financing sources.

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

A. Summary of Significant Accounting Policies (Continued)

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or services purchased are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		-0-
Total	\$	-0-

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

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

Fund Balance

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned, or unassigned.

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

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

A. Summary of Significant Accounting Policies (Continued)

Assigned fund balance – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The following schedule provides information about the specific fund balance classification by fund:

	General	Debt Service	Capital Projects	Other Governmental	Total
Nonspendable					
Inventory	\$ 29,890	\$ -	\$ -	\$ -	\$ 29,890
Restricted					
Retirement of Long Term Debt	-	8,395,470	-	-	8,395,470
Child Nutrition Program	-	-	-	283,511	283,511
Capital Acquisition Obligations	-	-	81,468,744	-	81,468,744
Childrens Fund	20,543	-	-	-	20,543
Special Services Fund	4,107	-	-	-	4,107
Committed					
Campus Activity Funds	-	-	-	683,293	683,293
Future Budget Deficit	-	-	-	759,616	759,616
Assigned					
Insurance Claim Projects	1,436,154	-	-	-	1,436,154
Unassigned	11,333,884	-	-	-	11,333,884
Totals	<u>\$ 12,824,578</u>	<u>\$ 8,395,470</u>	<u>\$ 81,468,744</u>	<u>\$ 1,726,420</u>	<u>\$104,415,212</u>

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment, and food products. Under this method, supplies and materials are debited as expenditures when purchased.

Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures when the items are consumed or occur.

Capital Assets

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

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

Asset Class	Estimated Useful Lives
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

A. Summary of Significant Accounting Policies (Continued)

Right of Use Assets and Liabilities

GASB Statement 87, *Leases* created new financial statement accounts "Right of Use" assets and similar offsetting liabilities. A "right of use" asset accounts for the net present value of future payments attached to a leased asset. Common examples of "Right of Use" assets are copiers, printers, and other types of equipment that the District does not take ownership of but uses under the lease agreement. The assets value will be amortized over the life of the lease using a straight-line method. The liability offsetting the "Right of Use" is presented as lease payable.

Subscription-Based Information Technology Arrangements (SBITA)

GASB Statement 96, *Subscription-Based Information Technology Arrangements* created new financial statement assets and offsetting liabilities. A SBITA asset accounts for the net present value of future payments required for right of use subscription assets. To the extent relevant, the standards for SBITA's are based on the standards established by GASB Statement 87, *Leases*. A SBITA is defined as a contract that conveys control of the right of use of another party's information technology (software) as specified in the contract for a period of time in an exchange or exchange-like transaction. The asset will be amortized over the life of the contract allowing the use of the information technology over a straight line method. The asset is included in the financial statement caption right of use asset with the offsetting liability identified as SBITA payable.

Unearned Revenues

Unearned revenues include state funds received but have not been earned in the year. The balance will be earned in the future period and not reported as liabilities.

6. Deferred Outflows and Inflows of Resources

The District implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* and GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits and Other Pensions*. In addition to assets and liabilities, the government-wide Statement of Net Position and governmental fund Balance Sheet report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District reports certain deferred inflows and outflows related to pensions on the government-wide Statement of Net Position. At the governmental fund level, earned but unavailable revenue is reported as a deferred inflow of resources.

The District also implemented GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends the transition provisions of GASB 68. GASB 71 requires that, at transition, governments recognize a beginning deferred outflow of resource for pension contributions made subsequent to the measurement date of the beginning Net Pension Liability. Implementation is reflected in the financial statements and the prior period adjustment.

7. Receivable and Payable Balances

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

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

8. Interfund Activities

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

A. Summary of Significant Accounting Policies (Continued)

9. Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave vests, accumulates, and is recorded as expense as it is incurred. Sick leave is paid upon separation from the District.

10. 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. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and additions to/ deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when they are due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. 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 OPEB, OPEB expenses, 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 term. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

12. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from these estimates.

13. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued various new accounting standards to better meet the information needed for users of financial statements by improving accounting and financial reporting. The GASB does this by issuing statements that cover various issues identified as needing additional clarification or direction to maintain standardization and comparability of financial information. During the year, the GASB issued no new standards. The following statements with varying effective dates noted are to be implemented in the coming periods:

Statement 103: *Financial Reporting Model Improvements* (Effective FY beginning after June 15, 2025)

14. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

A. Summary of Significant Accounting Policies (Continued)

15. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes, and the code structure is presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

B. Deposits, Securities, and Investments

Cash Deposits

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance District (FDIC) insurance. At year end, all District cash deposits appear to have been adequately covered by FDIC insurance or by pledged collateral held by the District or the depository in the District's name. The District's deposits appear to have been properly secured throughout the year.

Investments

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The Act requires specific training, reporting and establishment of local policies. The District appears to be in compliance with all the requirements of the Act.

The PFIA (Government Code Chapter 256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement and publicize an investment policy. That policy must address the following areas (1) safety of principal and liquidity, (2) portfolio diversifications, (3) allowable investments, (4) acceptable risk level, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the state maturity date of portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preference for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The PFIA governs the District's investment policies and types of investments.

The District's management believes that it complies with the requirements of the PFIA and the District's investment policies.

District investments include investments in TexPool and Lone Star Investment Pool, local government investment pools, and money market accounts. All investments are reported at fair value and are presented as cash and investments.

The following table lists the District's investments at year end:

	Fair/Value Amortized Cost	Weighted Average Maturity (Days)
Governmental Activities:		
Investments:		
TexPool	\$ 93,202,099	32
Lone Star Investment Pool	<u>1,726,855</u>	37
Totals	<u>\$ 94,928,954</u>	

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

B. Deposits, Securities, and Investments (Continued)

TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard and Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average of \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

Lone Star Investment Pool

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the PFIA, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAAM by Standard and Poor's. Lone Star has no limitations or restrictions on withdrawals. The District is invested in the Corporate Overnight Plus Fund of Lone Star. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net Asset value of 50 cents. The Government Overnight and Corporate Overnight Funds value all investments at amortized cost and are operated in accordance with GASB 79. The Corporate Overnight Plus Fund values all investments at fair value and is operated in accordance with GASB 72.

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

The largest combined balances of cash, saving and time deposit accounts amounted to \$ 25,531,564 and occurred in October 2024. The market value of bonds or other securities used to secure cash on the date of the highest combined cash balance was \$ 28,000,000. The total amount of FDIC coverage at the time of the highest combined balance was \$ 750,000. City National Bank, Sulphur Springs, Texas is the District's depository.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

B. Deposits, Securities, and Investments (Continued)

c. Concentration of Credit Risk

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

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. District investments are limited to short term maturities to limit any potential interest rate risk. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. State statutes do not allow for foreign investments, thus eliminating foreign currency rate risk. The District was not exposed to foreign currency risk.

f. Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements require judgement and considers factors specific to each asset or liability.

C. Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting these criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 0.666900 to fund general operations and \$ 0.313000 for the payment of principal and interest on long-term debt. The rates were levied on property assessed totaling \$ 2,278,297,581. The District contracts with a tax attorney for the collection of all delinquent taxes. Delinquent taxes are subject to both penalty and interest plus a 20% delinquent tax attorney collection fee.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

D. Capital Assets

Capital asset activities during the year were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets not being depreciated:				
Land	\$ 862,613	\$ 805,221	\$ -	\$ 1,667,834
Construction In Progress	893,460	24,979,886	72,525	25,800,821
Total Capital Assets not being depreciated	\$ 1,756,073	\$ 25,785,107	\$ 72,525	\$ 27,468,655
Capital Assets being depreciated:				
Buildings and Improvements	\$ 100,410,066	\$ 72,525	\$ 20,000	\$ 100,462,591
Vehicles	6,446,377	380,002	-	6,826,379
Equipment	4,530,978	568,121	-	5,099,099
Right for Use Lease Assets	759,224	-	262,761	496,463
Total Capital Assets being depreciated	\$ 112,146,645	\$ 1,020,648	\$ 282,761	\$ 112,884,532
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 45,484,418	\$ 3,055,386	\$ -	\$ 48,539,804
Vehicles	4,297,431	363,112	-	4,660,543
Equipment	2,691,727	365,140	-	3,056,867
Right for Use Lease Assets	290,649	99,293	241,003	148,939
Total Accumulated Depreciation	\$ 52,764,225	\$ 3,882,931	\$ 241,003	\$ 56,406,153
Total Capital Assets Being Depreciated, Net	\$ 59,382,420	\$ (2,862,283)	\$ 41,758	\$ 56,478,379
Governmental Activities Capital Assets, Net	\$ 61,138,493	\$ 22,922,824	\$ 114,283	\$ 83,947,034

Depreciation and amortization was charged to governmental activities functions as follows:

Instruction	\$ 1,982,212
Instructional Administration	8,936
School Leadership	20,687
Health Services	4,386
Student (Pupil) Transportation	281,856
Food Services	106,923
Cocurricular/Extracurricular Activities	1,307,091
General Administration	28,694
Plant Maintenance and Operations	115,348
Security and Monitoring Services	26,798
Total	<u>\$ 3,882,931</u>

E. Long-term Obligations

Long-term Obligation Activity

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

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 83,830,000	\$ 48,775,000	\$ 4,230,000	\$ 128,375,000	\$ 2,345,000
Direct Borrowings Payable	4,850,000	-	360,000	4,490,000	365,000
Right of Use Leases Payable	473,450	-	112,466	360,984	95,543
Unamortized Premium (Discount)	3,947,377	1,705,766	253,670	5,399,473	-
Retirement Benefits	106,220	-	4,560	101,660	-
Total Governmental Activities	<u>\$ 93,207,047</u>	<u>\$ 50,480,766</u>	<u>\$ 4,960,696</u>	<u>\$ 138,727,117</u>	<u>\$ 2,805,543</u>

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

E. Long-term Obligations (Continued)

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

The District issued "Sulphur Springs Independent School District Unlimited Tax School Building Bonds, Series 2025," totaling \$ 48,775,000. The funds will be used to construct and upgrade facilities throughout the District. The bonds incur an interest of 5.20% over their life and will mature in 2054.

The following bonded debt issues are outstanding at year end:

Description	Interest Rate	Original Value	Outstanding Amount
Unlimited Tax Refunding Bond, Series 2017	2.99%	\$ 40,870,000	\$ 28,100,000
Unlimited Tax School Building Bonds, Series 2024	5.00%	54,010,000	51,500,000
Unlimited Tax School Building Bonds, Series 2025	5.20%	48,775,000	48,775,000
Totals			<u>\$ 128,375,000</u>

Maturity requirements on bonded debt at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2026	\$ 2,345,000	\$ 5,875,456	\$ 8,220,456
2027	2,460,000	5,757,706	8,217,706
2028	2,585,000	5,633,956	8,218,956
2029	2,715,000	5,503,956	8,218,956
2030	2,850,000	5,367,331	8,217,331
2031-2035	16,330,000	24,767,455	41,097,455
2036-2040	17,710,000	21,296,533	39,006,533
2041-2045	21,170,000	16,595,190	37,765,190
2046-2050	26,975,000	11,006,170	37,981,170
2051-2055	33,235,000	4,054,641	37,289,641
Totals	<u>\$ 128,375,000</u>	<u>\$ 105,858,394</u>	<u>\$ 234,233,394</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of year-end.

Direct Borrowings

The District issued various agreements identified here as direct borrowings. These direct borrowings include financing arrangements such as loans, maintenance tax notes, and leases that transfer ownership.

Terms of the various direct borrowing agreements vary with length of term not exceeding 20 years. Each agreement requires different payment terms, but all include both principal and interest amounts. Some of the agreements call for monthly payments while others require semiannual or annual. Maturity dates vary with the length of terms and final maturity dates are presented in the following table. Interest rates vary with each agreement and are presented in the table below.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

E. Long-term Obligations (Continued)

The following schedule lists the outstanding direct borrowings at year end:

Description	Maturity Date	Interest Rate	Original Value	Outstanding Amount
Tax Maintenance Note, Series 2016	02/15/2036	2.533%	\$ 7,380,060	\$ 4,490,000
Totals				

Maturity requirement on the direct borrowings at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2026	\$ 365,000	\$ 104,763	\$ 469,763
2027	370,000	97,413	467,413
2028	380,000	89,913	469,913
2029	385,000	82,262	467,262
2030	395,000	73,968	468,968
2031-2035	2,130,000	219,048	2,349,048
2036-2040	465,000	6,975	471,975
Totals	\$ 4,490,000	\$ 674,342	\$ 5,164,342

Right of Use Leases

The District has executed an agreement identified here as a lease. Leases are defined as obligations that are valued at the net present value of the obligation to be paid over a specified term with no transfer of ownership upon completion of the term.

The District executed various agreements for the use of copiers that are placed throughout the District. The agreements require monthly, semiannual, or annual payments with a final maturity date as presented in the following table. These lease agreements incur implicit rates of interest as presented in the table below.

The following schedule lists the outstanding right of use leases at year end.

Description	Maturity Date	Term	Implicit Interest Rate	Original Value	Outstanding Balance
Wells Fargo - Copiers	2/1/2029	5 years	6.00%	\$ 496,463	\$ 360,984

Maturity requirements on the right of use lease agreements at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2026	\$ 95,543	\$ 19,060	\$ 114,603
2027	101,436	13,167	114,603
2028	107,692	6,911	114,603
2029	56,313	989	57,302
Totals	\$ 360,984	\$ 40,127	\$ 401,111

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

F. Defined Benefits Pension Plan

1. Plan Description

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

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

2. *Pension Plan Fiduciary Net Position*

Detailed information about the System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required information. That report may be obtained on the internet at <http://www.trs.texas.gov/pages/about/publications.aspx>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2024 ACFR for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2024, and 2023.

Net Pension Liability	2024	2023
Total Pension Liability	\$ 271,627,434,294	\$ 255,860,886,500
Less: Plan Fiduciary Net Position	<u>(210,543,258,495)</u>	<u>(187,170,535,558)</u>
Net Pension Liability	<u>\$ 61,084,175,799</u>	<u>\$ 68,690,350,942</u>
Net Position as percentage of Total Pension Liability	77.51%	73.15%

3. *Benefits Provided*

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

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as a supplemental payment to retirees. The plan became actuarially sound in May 2019 when the 86th Texas Legislature approved the TRS Pension Reform Bill that provided gradual contribution increase from the state, participating employers, and active employees for fiscal year 2019 through 2024.

4. *Contributions*

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% 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 TRS during the fiscal year.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

F. Defined Benefits Pension Plan (Continued)

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

	<u>Contribution Rates</u>	
	<u>2024</u>	<u>2025</u>
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
Current Year Employer Contributions		\$ 1,445,559
Current year Member Contributions		\$ 2,678,504
Measurement Period NECE On-Behalf Contributions		\$ 1,889,481

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

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement TRS 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 are two additional surcharges 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.
- A Public Education Employer contribution surcharge of 1.7% of the member's salary beginning in fiscal year 2024, gradually increasing to 2% in fiscal year 2025 on all covered payroll.

5. Actuarial Assumptions

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. For full description of these assumption please see the actuarial valuation report dated November 22, 2022 and located at <https://www.trs.texas.gov>.

The total pension liability in the August 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Investment Rate	7.00%
Municipal Bond Rate - August 31, 2022	3.87% - 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.
Projection Period Ending August 31 in projection Period (100 years)	2123
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

F. Defined Benefits Pension Plan (Continued)

Discount Rate

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

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

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

Asset Class*	Target Allocation %**	Long -Term Expected Geometric Real Rate of Return***	Expected Contribution to Long- Term Portfolio Returns
Global Equity			
USA	18.00%	4.4%	1.0%
Non-US Developed	13.00%	4.2%	0.8%
Emerging Markets	9.00%	5.2%	0.7%
Private Equity*	14.00%	6.7%	1.2%
Stable Value			
Government Bonds	16.00%	1.9%	0.4%
Stable Value Hedge Funds	5.00%	3.0%	0.2%
Absolute Return*	0.00%	4.0%	0.0%
Real Return			
Real Estate	15.00%	6.6%	1.2%
Energy, Natural Resources & Infrastructure	6.00%	5.6%	0.4%
Commodities	0.00%	2.5%	0.0%
Risk Parity	8.00%	4.0%	0.4%
Asset Allocation Leverage			
Cash	2.00%	1.0%	0.0%
Asset Allocation Leverage	(6.00%)	1.3%	-0.1%
Inflation Expectation			2.4%
Volatility Drag****			0.7%
Expected Return	<u>100%</u>		<u>7.9%</u>

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY2024 policy model.

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

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

F. Defined Benefits Pension Plan (Continued)

6. *Discount Rate Sensitivity Analysis*

The following presents the District's share of the net pension liability of the plan using the discount rate of 7.00% as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 – percentage point lower (6.00%) or 1 – percentage point higher (8.00%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 23,811,485	\$ 14,907,769	\$ 7,530,408

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

At year end, the District reported a liability of \$ 14,907,769 for its proportionate share of the System'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	\$ 14,907,769
State's proportionate share that is associated with the District	<u>20,480,950</u>
Total	<u>\$ 35,388,719</u>

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

At August 31, 2024, the employer's proportion of the collective net pension liability was 0.0244052883%, which was a decrease of 0.0008391889% from its proportion measured as of August 31, 2023.

Assumption Changes Since the Prior Measurement Date

There have been no changes in actuarial assumptions and methods since the prior measurement date.

Changes in Benefit Provisions Since Prior Measurement Date

The Texas 2023 Legislature passed legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September of 2023. The Legislature appropriated funds to pay for this one-time stipend so there will be no impact on the Net Pension Liability of TRS. In addition, the legislature also provided for a cost of living adjustment (COLA) to retirees which was approved during the November 2023 election which was paid for in January 2025. Therefore, this contingent liability was not reflected as of August 31, 2023.

Pension Expense

For the current year, the District recognized pension expense of \$ 4,520,916 and revenue of \$ 2,447,816 for support provided by the State.

The District reported its proportionate share of the system's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at year end:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 821,696	\$ 116,393
Changes of actuarial assumptions	769,720	103,193
Differences between projected and actual investment earnings	90,620	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>407,330</u>	<u>528,899</u>
Total as of August 31, 2024 measurement date	\$ 2,089,366	\$ 748,485
Contributions paid to TRS subsequent to the measurement date	<u>1,445,559</u>	<u>-</u>
Total at fiscal year end	<u>\$ 3,534,925</u>	<u>\$ 748,485</u>

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

F. Defined Benefits Pension Plan (Continued)

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

Year Ending August 31	Pension Expense Amount
2026	\$ 9,687
2027	1,607,890
2028	170,546
2029	(447,426)
2030	184
Thereafter	-

G. Other Post-Employment Defined Benefit Plans

1. *Plan Description*

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has 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 health insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

2. *OPEB Plan Fiduciary Net Position*

Detailed 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 information. That report may be obtained on the internet at <http://www.trs.texas.gov/pages/about/publications.aspx>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

The components of the Net OPEB Liability of the TRS-Care plan as of August 31, 2024, and 2023 are as follows:

Net OPEB Liability	2024	2023
Total OPEB Liability	\$ 35,168,178,563	\$ 26,028,070,267
Less: Plan Fiduciary Net Position	(4,816,646,311)	(3,889,765,203)
Net OPEB Liability	<u>\$ 30,351,532,252</u>	<u>\$ 22,138,305,064</u>
Net Position as percentage of Net OPEB Liability	13.70%	14.94%

3. *Benefits Provided*

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

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

G. Other Post-Employment Benefit Plans (Continued)

4. *Contributions*

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

Contribution Rates		
	2024	2025
Active Employee	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 Year Employer Contributions		\$ 322,879
Current Year Member Contributions		\$ 211,039
Measurement Period NECE On-Behalf Contributions		\$ 402,554

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

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

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

5. *Actuarial Assumptions*

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

The actuarial valuation of TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, rates of retirement, termination, and disability including general inflation and salary increases are identical to those used in the respective TRS Pension valuation. These assumptions were developed in the experience study performed for TRS for the measurement period ended August 31, 2021. The following assumptions used for members of TRS are identical to the assumptions employed in the August 31, 2023 TRS annual pension actuarial valuation:

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

G. Other Post-Employment Benefit Plans (Continued)

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, with full generational projection 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

Health Care Trend Rates

The initial medical trend rates were 7.75% for Medicare retirees and 7.00% for Non-Medicare retirees. There was an initial prescription drug trend rate of 7.75% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.

Discount Rate

A single discount rate of 3.87% was used to measure the total OPEB liability. There was a decrease of 0.26% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate.

6. *Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% greater than the discount rate that was used (3.87%) in measuring the net OPEB liability as well as what the net OPEB liability would be if it were calculated using a discount rate of 1% less than the rate used.

	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 12,753,821	\$ 10,735,117	\$ 9,103,974

7. *Healthcare Cost Trend Rates Sensitivity Analysis*

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate (8.25%), 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 Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 8,742,159	\$ 10,735,117	\$ 13,332,140

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

G. Other Post-Employment Benefit Plans (Continued)

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

At August 31, 2025, the District reported a liability of \$ 10,735,117 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	\$ 10,735,117
State's proportionate share that is associated with the District	<u>13,450,956</u>
Total	<u>\$ 24,186,073</u>

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

At August 31, 2024, the District's proportion of the collective net OPEB liability was 0.0353692749%, which was a decrease of 0.0011451022% from its proportion measured as of August 31, 2023.

Change Since the Prior Actuarial Valuation

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

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

Changes of Benefit Terms Since the Prior Measurement Date

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

OPEB Expense

The amount of OPEB expense recognized by the District in the reporting period was (\$ 3,082,574) and revenue of (\$ 1,748,376) for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 2,057,561	\$ 5,357,405
Changes in actuarial assumptions	1,373,968	3,502,744
Differences between projected and actual investment earnings	-	30,062
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>311,985</u>	<u>1,076,954</u>
Total as of August 31, 2024 measurement date	\$ 3,743,514	\$ 9,967,165
Contributions paid to TRS subsequent to the measurement date	<u>322,879</u>	<u>-</u>
Total at fiscal year end	<u>\$ 4,066,393</u>	<u>\$ 9,967,165</u>

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

G. Other Post-Employment Benefit Plans (Continued)

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

<u>Year Ending August 31</u>	<u>OPEB Expense Amount</u>
2026	\$ (1,614,107)
2027	(1,127,900)
2028	(1,327,379)
2029	(1,077,123)
2030	(677,802)
Thereafter	(399,340)

H. Medicare Part D Coverage

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2025, 2024 and 2023, the subsidy payments received by TRS-Care on behalf of the District were \$ 233,856, \$ 172,274, and \$ 177,550, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

I. Risk Management

Health Care

During the year, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 250 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and Blue Cross Blue Shield of Texas is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross Blue Shield of Texas are available for the year ended December 31, 2024 and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records

Workers' Compensation

The District established its self-funding workers' compensation program. Creative Risk Funding, Inc., through its actuarial review of the workers' compensation self-insurance program, projected an undiscounted liability of \$ 131,689 as of year-end. District administrative expenses for fiscal year 2025 were \$ 102,055.

The District maintains a self-insured retention of \$ 87,475 per occurrence. The District currently purchases excess coverage to statutory limits from Safety National Casualty Company that carries a \$ 350,000 per occurrence retention. The District does not purchase aggregate excess insurance. Claims administration is provided by Creative Risk Funding, Inc.

The accrued liability for workers' compensation self-insurance of \$ 131,689 includes incurred but not reported claims of \$ 89,285. This liability reported in the fund at year end, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," 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 claims 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.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

I. Risk Management (Continued)

Changes in the workers' compensation claims liability amounts in the periods of 2025 and 2024 are represented below:

	2025	2024
Beginning Claims Liability	\$ 102,326	\$ 95,487
Claims Incurred (Reduced)	114,211	110,756
Claim Payments	<u>(84,848)</u>	<u>(103,917)</u>
Ending Claims Liability	<u>\$ 131,689</u>	<u>\$ 102,326</u>

Unemployment Compensation Pool

During the current year, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and 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 each month 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 current year, the fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

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

Other Risk Management

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. During fiscal year 2025, the District purchased commercial insurance to cover these liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

J. Litigation

The District appears to have no pending litigation as of August 31, 2025.

K. Commitments and Contingencies

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 year end, 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.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

L. Revenue from Local and Intermediate Sources

During the year, the District received revenue from local and intermediate in the District's major funds and aggregate non major funds consisting of the following:

	General	Debt Service	Capital Projects	Other Governmental	Totals
Property Tax Collections	\$ 13,481,861	\$ 7,140,793	\$ -	\$ -	\$ 20,622,654
Investment Income	713,746	497,494	2,786,494	-	3,997,734
Tuition and Fees	38,833	-	-	-	38,833
Food Service Income	-	-	-	144,708	144,708
Gifts and Bequests	8,350	-	-	-	8,350
Cocurricular/Extracurricular Activities	151,153	-	-	1,028,464	1,179,617
Facility Rental	26,409	-	-	-	26,409
Insurance Recovery	8,179	-	-	-	8,179
Section 313 Agreement	1,553,313	-	-	-	1,553,313
Other	147,943	-	-	-	147,943
Totals	\$ 16,129,787	\$ 7,638,287	\$ 2,786,494	\$ 1,173,172	\$ 27,727,740

M. Receivables

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

	General	Debt Service	Capital Projects	Other Governmental	Totals
Due from Other Governments	\$ 2,423,175	\$ -	\$ -	\$ 660,648	\$ 3,083,823
Property Taxes Receivable	888,763	363,239	-	-	1,252,002
Less: Allowance for Uncollectible Property Taxes	(88,876)	(36,324)	-	-	(125,200)
Net Receivables	\$ 3,223,062	\$ 326,915	\$ -	\$ 660,648	\$ 4,210,625

N. Subsequent Events

Management has evaluated all events or transactions that occurred after August 31, 2025, up through January 5, 2026, the date the financial statements were issued.

O. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settle up with the State will occur some 9 to 10 months following the fiscal year end.

Funding is earned for: 1) Available – annual allocation based on prior year enrollment; 2) Foundation – annual allocation based on student attendance, property tax collections and valuations, and special student population; 3) Instructional Facilities Allotment – based on property wealth; and 4) Existing Debt Allotment – based on eligible debt, student attendance, and property wealth. Various other sources are received but not reconciled here as these are the major sources of funding.

	Available	Foundation	IFA	EDA
CY Summary of Finances (SOF)	\$ 2,453,535	\$ 24,452,926	Not	\$ 455,419
Prior Year Settle Ups	-	35,337	Eligible	1,046
August Instructional Days Change	(19,005)	832,965	-	-
Financial Statement Earnings	\$ 2,434,530	\$ 25,321,228	\$ -	\$ 456,465
Financial Statement Amounts				
SOF Receivable (Overpayment) *	\$ -	\$ (243,491)	\$ -	\$ -
August Instructional Days Receivable	129,400	2,293,775		(17,988)

* Overpayments are represented in the financial statements as Unearned Revenue (government-wide and governmental).

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

P. Compliance, Stewardship, and Accountability

Expenditures over Appropriations

The following individual funds incurred expenditures in excess of appropriations at functional expenditure levels:

	Budget	Actual	Excess
General Fund:			
Instructional Leadership	\$ 1,594,285	\$ 1,618,996	\$ 24,711
Social Work Services	195,000	196,000	1,000

Q. Interfund Balances and Activities

Transfers Between Funds

Transfers between funds during the year consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Athletic Facilities Fund	\$ 92,780	Gate Percentage
Athletic Facility Fund	Principals Fund	7,429	Youth Basketball
Total		<u>\$ 100,209</u>	

Interfund Receivables and Payables

The composition of interfund balances as of year-end is as follows:

Receivable Fund	Payable Fund	Amount
Internal Service	General Fund	\$ 1,164
	Total	<u>\$ 1,164</u>

R. Shared Service Arrangements

The District participates in cooperative programs with other local districts. The District does not account for revenue or expenditures of these programs and does not disclose them in these financial statements.

<u>Shared Service Agreement</u>	<u>Fiscal Agent</u>	<u>Service</u>
Regional Day School for the Deaf	Greenville Independent School District	Deaf Education

S. Tax Abatements

The District has entered into agreements with investors to provide tax abatements on solar energy projects in the District. The agreements under Section 313 of the Texas Education Code allow for reduced taxable values assigned to the energy projects assessed value in return for monetary payments. The projects are in process but have yet to be finalized. As such, no reductions have been incurred to date. One project was completed during the year, and abatements will begin in the following fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2025

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 16,710,300	\$ 16,714,919	\$ 16,129,787	\$ (585,132)
5800	State Program Revenues	27,755,423	27,755,423	30,033,827	2,278,404
5900	Federal Program Revenues	437,000	437,000	111,743	(325,257)
5020	Total Revenues	\$ 44,902,723	\$ 44,907,342	\$ 46,275,357	\$ 1,368,015
EXPENDITURES					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 27,349,553	\$ 26,947,936	\$ 26,722,068	\$ 225,868
0012	Instructional Resources and Media Services	547,922	514,336	501,747	12,589
0013	Curriculum and Staff Development	391,065	436,046	421,617	14,429
	Total Instruction and Instr. Related Services	\$ 28,288,540	\$ 27,898,318	\$ 27,645,432	\$ 252,886
Instructional and School Leadership:					
0021	Instructional Leadership	\$ 1,417,320	\$ 1,594,285	\$ 1,618,996	\$ (24,711)
0023	School Leadership	1,881,928	1,766,133	1,753,431	12,702
	Total Instructional and School Leadership	\$ 3,299,248	\$ 3,360,418	\$ 3,372,427	\$ (12,009)
Support Services - Student (Pupil):					
0031	Guidance, Counseling, and Evaluation Services	\$ 1,248,166	\$ 1,267,659	\$ 1,253,370	\$ 14,289
0032	Social Work Services	227,500	195,000	196,000	(1,000)
0033	Health Services	605,154	585,599	575,281	10,318
0034	Student Transportation	1,335,363	1,888,981	1,784,849	104,132
0035	Food Service	5,500	8,033	4,332	3,701
0036	Cocurricular/Extracurricular Activities	1,664,956	1,717,994	1,696,613	21,381
	Total Support Services - Student (Pupil)	\$ 5,086,639	\$ 5,663,266	\$ 5,510,445	\$ 152,821
Administrative Support Services:					
0041	General Administration	\$ 1,557,890	\$ 1,728,514	\$ 1,669,794	\$ 58,720
	Total Administrative Support Services	\$ 1,557,890	\$ 1,728,514	\$ 1,669,794	\$ 58,720
Support Services - Nonstudent Based:					
0051	Facilities Maintenance and Operations	\$ 4,888,868	\$ 5,275,573	\$ 5,251,858	\$ 23,715
0052	Security and Monitoring Services	803,543	893,486	860,690	32,796
0053	Data Processing Services	468,227	475,931	468,735	7,196
	Total Support Services - Nonstudent Based	\$ 6,160,638	\$ 6,644,990	\$ 6,581,283	\$ 63,707
Debt Service:					
0071	Principal on Long-Term Debt	\$ 474,508	\$ 440,800	\$ 449,992	\$ (9,192)
0072	Interest on Long-Term Debt	112,313	146,521	136,624	9,897
0073	Bond Issuance Costs and Fees	500	15,000	500	14,500
	Total Debt Service	\$ 587,321	\$ 602,321	\$ 587,116	\$ 15,205
Capital Outlay:					
0081	Capital Outlay	\$ 25,000	\$ 173,780	\$ 86,500	\$ 87,280
	Total Capital Outlay	\$ 25,000	\$ 173,780	\$ 86,500	\$ 87,280
6030	Total Expenditures	\$ 45,005,276	\$ 46,071,607	\$ 45,452,997	\$ 618,610
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ (102,553)	\$ (1,164,265)	\$ 822,360	\$ 1,986,625
OTHER FINANCING SOURCES (USES)					
8911	Transfers Out	\$ -	\$ (98,000)	\$ (92,780)	\$ 5,220
7080	Net Other Financing Sources (Uses)	\$ -	\$ (98,000)	\$ (92,780)	\$ 5,220
1200	Net Change in Fund Balance	\$ (102,553)	\$ (1,262,265)	\$ 729,580	\$ 1,991,845
0100	Fund Balance - Beginning (September 1)	12,094,998	12,094,998	12,094,998	-
3000	Fund Balance - Ending (August 31)	\$ 11,992,445	\$ 10,832,733	\$ 12,824,578	\$ 1,991,845

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED AUGUST 31, 2025

	<u>2024*</u>	<u>2023*</u>	<u>2022*</u>	<u>2021*</u>	<u>2020*</u>
District's proportion of the net pension liability	0.0244052883%	0.0252444772%	0.0250103380%	0.0238090324%	0.0233843823%
District's proportionate share of the net pension liability	\$ 14,907,769	\$ 17,340,520	\$ 14,847,994	\$ 6,063,318	\$ 12,524,198
State's proportionate share of the net pension liability associated with the District	<u>20,480,950</u>	<u>25,183,466</u>	<u>22,982,670</u>	<u>11,022,838</u>	<u>23,223,982</u>
Total	<u>\$ 35,388,719</u>	<u>\$ 42,523,986</u>	<u>\$ 37,830,664</u>	<u>\$ 17,086,156</u>	<u>\$ 35,748,180</u>
District's covered-employee payroll (for Measurement Year)	\$ 32,827,637	\$ 33,259,235	\$ 32,127,280	\$ 31,697,133	\$ 30,928,776
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	45.41%	52.14%	46.22%	19.13%	40.49%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%	88.79%	75.54%
	<u>2019*</u>	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>
District's proportion of the net pension liability	0.0252641015%	0.0245040663%	0.0242798564%	0.0247506559%	0.025678000%
District's proportionate share of the net pension liability	\$ 13,133,070	\$ 13,487,633	\$ 7,763,390	\$ 9,352,905	\$ 8,931,831
State's proportionate share of the net pension liability associated with the District	<u>19,929,161</u>	<u>22,236,112</u>	<u>13,371,829</u>	<u>15,498,440</u>	<u>14,895,686</u>
Total	<u>\$ 33,062,231</u>	<u>\$ 35,723,745</u>	<u>\$ 21,135,219</u>	<u>\$ 24,851,345</u>	<u>\$ 23,827,517</u>
District's covered-employee payroll (for Measurement Year)	\$ 27,745,480	\$ 26,972,779	\$ 26,318,673	\$ 25,285,780	\$ 24,385,593
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	47.33%	50.00%	29.50%	36.99%	36.63%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%

* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 12 month delay for financial reporting in accordance with GASB 68.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED AUGUST 31, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contributions	\$ 1,445,559	\$ 1,373,181	\$ 1,297,626	\$ 1,166,482	\$ 1,015,982
Contributions in relations to the contractual required contributions	<u>(1,445,559)</u>	<u>(1,373,181)</u>	<u>(1,297,626)</u>	<u>(1,166,482)</u>	<u>(1,015,982)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 32,466,759	\$ 32,827,637	\$ 33,259,235	\$ 32,127,280	\$ 31,697,133
Contributions as a percentage of covered employee payroll	4.45%	4.18%	3.90%	3.63%	3.21%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 964,846	\$ 850,008	\$ 825,298	\$ 795,061	\$ 786,507
Contributions in relations to the contractual required contributions	<u>(964,846)</u>	<u>(850,008)</u>	<u>(825,298)</u>	<u>(795,061)</u>	<u>(786,507)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 30,928,776	\$ 27,745,480	\$ 26,972,779	\$ 26,318,673	\$ 25,285,780
Contributions as a percentage of covered employee payroll	3.12%	3.06%	3.06%	3.02%	3.11%

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED AUGUST 31, 2025

	<u>2024*</u>	<u>2023*</u>	<u>2022*</u>	<u>2021*</u>
District's proportion of the Net OPEB Liability (Asset)	0.0353692749%	0.0365143771%	0.0373312747%	0.0375753727%
District's proportionate share of the Net OPEB Liability (Asset)	\$ 10,735,117	\$ 8,083,664	\$ 8,938,602	\$ 14,494,500
State's proportionate share of the Net OPEB Liability (Asset) associated with the District	<u>13,450,956</u>	<u>9,754,183</u>	<u>10,903,691</u>	<u>19,419,400</u>
Total	<u>\$ 24,186,073</u>	<u>\$ 17,837,847</u>	<u>\$ 19,842,293</u>	<u>\$ 33,913,900</u>
District's covered-employee payroll (for Measurement Year)	\$ 32,827,637	\$ 33,259,235	\$ 32,127,280	\$ 31,697,133
District's proportionate share of the Net OPEB Liability as a percentage of it's covered-employee payroll	32.70%	24.31%	27.82%	45.73%
Plan fiduciary net position as a percentage of the Total OPEB Liability	13.70%	14.94%	11.52%	6.18%

	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>	<u>2017 *</u>
District's proportion of the Net OPEB Liability (Asset)	0.0373699855%	0.0368826894%	0.0374028204%	0.0366617793%
District's proportionate share of the Net OPEB Liability (Asset)	\$ 14,206,019	\$ 17,442,277	\$ 18,675,571	\$ 15,942,833
State's proportionate share of the Net OPEB Liability (Asset) associated with the District	<u>19,089,484</u>	<u>23,176,883</u>	<u>21,418,687</u>	<u>19,415,301</u>
Total	<u>\$ 33,295,503</u>	<u>\$ 40,619,160</u>	<u>\$ 40,094,258</u>	<u>\$ 35,358,134</u>
District's covered-employee payroll (for Measurement Year)	\$ 30,928,776	\$ 27,745,480	\$ 26,972,779	\$ 26,318,673
District's proportionate share of the Net OPEB Liability as a percentage of it's covered-employee payroll	45.93%	62.87%	69.24%	60.58%
Plan fiduciary net position as a percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

Note: Only eight years of data is presented in accordance with GASB 75, paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 12 month delay for financial reporting in accordance with GASB 75.

SULPHUR SPRINGSINDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED AUGUST 31, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contractually required contributions	\$ 322,879	\$ 321,757	\$ 316,753	\$ 306,482
Contributions in relations to the contractual required contributions	<u>(322,879)</u>	<u>(321,757)</u>	<u>(316,753)</u>	<u>(306,482)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 32,466,759	\$ 32,827,637	\$ 33,259,235	\$ 32,127,280
Contributions as a percentage of covered employee payroll	0.99%	0.98%	0.95%	0.95%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 293,543	\$ 284,038	\$ 258,199	\$ 225,879
Contributions in relations to the contractual required contributions	<u>(293,543)</u>	<u>(284,038)</u>	<u>(258,199)</u>	<u>(255,879)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 31,697,133	\$ 30,928,776	\$ 27,745,480	\$ 26,972,779
Contributions as a percentage of covered employee payroll	0.93%	0.92%	0.93%	0.95%

Note: Only eight years of data is presented in accordance with GASB 75, paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2025

A. Budget

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

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

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

B. Defined Benefit Pension Plan

1. Changes of Assumptions Since the Prior Measurement Date

No actuarial assumptions and methods have been modified since the determination of the prior year net pension liability.

2. Changes of Benefit Terms Since the Prior Measurement Date

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

C. OPEB Healthcare Plan

1. Changes of Assumptions Since the Prior Measurement Date

The single discount rate changed from 4.13% as of last year to 3.87% at August 31, 2024

2. Changes of Benefit Terms Since the Prior Measurement Date

There were no changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement date.

OTHER SUPPLEMENTARY INFORMATION

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2025

Tax Roll Year	Last Ten Years Ended August 31	1	2	3	10	20	30	30a	40	50	Section 26.115 Tax Refunds
		Tax Rates		Assessed/Appraised	Beginning	Current	Maintenance	Debt Service	Entire	Ending	
		Maintenance	Debt Service	Value For School Tax Purposes	Balance 9/1/2024	Year's Total Levy	Tax Collections	Tax Collections	Year's Adjustments	Balance 8/31/2025	
XXX	2016 and Prior	Various	Various	Various	\$ 118,922	\$ -	\$ 13,117	\$ 2,987	\$ (2,486)	\$ 100,332	\$ -
2016	2017	1.040000	0.310480	1,210,166,032	27,057	-	3,364	1,004	(363)	22,326	-
2017	2018	1.040000	0.310480	1,247,203,165	27,098	-	4,259	1,271	(616)	20,952	-
2018	2019	1.040000	0.310480	1,294,619,737	32,780	-	5,205	1,554	(1,007)	25,014	-
2019	2020	0.970000	0.310480	1,363,318,577	42,924	-	7,995	2,559	931	33,301	-
2020	2021	0.940900	0.310480	1,471,327,169	60,663	-	12,049	3,976	8,239	52,877	-
2021	2022	0.872000	0.310480	1,682,070,049	94,495	-	18,283	6,510	4,285	73,987	-
2022	2023	0.872000	0.310500	1,893,125,225	204,835	-	46,569	16,920	8,487	149,833	-
2023	2024	0.680090	0.310500	1,833,425,560	433,725	-	116,309	53,038	(42,480)	221,898	-
2024	2025	0.666900	0.313000	2,278,297,581	-	23,615,870	13,088,036	6,894,560	(3,081,792)	551,482	-
1000 TOTALS					\$ 1,042,499	\$ 23,615,870	\$ 13,315,186	\$ 6,984,379	\$ (3,106,802)	\$ 1,252,002	\$ -

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2025

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and Intermediate Sources	\$ 165,500	\$ 165,500	\$ 144,709	\$ (20,791)
5800	State Program Revenues	179,908	179,908	13,330	(166,578)
5900	Federal Program Revenues	2,893,120	2,893,120	2,884,726	(8,394)
5020	Total Revenues	\$ 3,238,528	\$ 3,238,528	\$ 3,042,765	\$ (195,763)
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	\$ 3,914,330	\$ 3,901,530	\$ 3,392,240	\$ 509,290
	Total Support Services - Student (Pupil)	\$ 3,914,330	\$ 3,901,530	\$ 3,392,240	\$ 509,290
Support Services - Nonstudent Based:					
0051	Facilities Maintenance and Operations	\$ 42,200	\$ 55,000	\$ 50,048	\$ 4,952
	Total Support Services - Nonstudent Based	\$ 42,200	\$ 55,000	\$ 50,048	\$ 4,952
6030	Total Expenditures	\$ 3,956,530	\$ 3,956,530	\$ 3,442,288	\$ 514,242
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ (718,002)	\$ (718,002)	\$ (399,523)	\$ 318,479
1200	Net Change in Fund Balance	\$ (718,002)	\$ (718,002)	\$ (399,523)	\$ 318,479
0100	Fund Balances - Beginning (September 1)	1,350,325	1,350,325	1,350,325	-
3000	Fund Balances - Ending (August 31)	\$ 632,323	\$ 632,323	\$ 950,802	\$ 318,479

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2025

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and Intermediate Sources	\$ 7,025,525	\$ 7,025,525	\$ 7,638,287	\$ 612,762
5800	State Program Revenues	-	-	456,465	456,465
5020	Total Revenues	\$ 7,025,525	\$ 7,025,525	\$ 8,094,752	\$ 1,069,227
EXPENDITURES					
Debt Service:					
0071	Principal on Long-term Debt	\$ 4,230,000	\$ 4,855,531	\$ 4,230,000	\$ 625,531
0072	Interest on Long-term Debt	3,660,347	3,660,347	4,087,128	(426,781)
0073	Debt Issuance Costs and Fees	2,000	2,000	750	1,250
	Total Debt Service	\$ 7,892,347	\$ 8,517,878	\$ 8,317,878	\$ 200,000
6030	Total Expenditures	\$ 7,892,347	\$ 8,517,878	\$ 8,317,878	\$ 200,000
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ (866,822)	\$ (1,492,353)	\$ (223,126)	\$ 1,269,227
OTHER FINANCING SOURCES (USES)					
7916	Premium (Discount) on Issuance of Bonds	\$ -	\$ -	\$ 4,749	\$ 4,749
7080	Net Other Financing Sources (Uses)	\$ -	\$ -	\$ 4,749	\$ 4,749
1200	Net Change in Fund Balance	\$ (866,822)	\$ (1,492,353)	\$ (218,377)	\$ 1,273,976
0100	Fund Balance - Beginning (September 1)	8,613,847	8,613,847	8,613,847	-
3000	Fund Balance - Ending (August 31)	\$ 7,747,025	\$ 7,121,494	\$ 8,395,470	\$ 1,273,976

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AUGUST 31, 2025

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

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO
 STATE MANDATED PROGRAM REQUIREMENTS
 YEAR ENDED AUGUST 31, 2025

<u>Data Control Codes</u>		<u>Response</u>
<u>Section A: Compensatory Education Programs</u>		
<u>AP1</u>	Did your District expend any state compensatory education programs state allocated funds during the District's fiscal year?	Yes
<u>AP2</u>	Does the District have written policies and procedures for its state compensatory education program?	Yes
<u>AP3</u>	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 4,196,971
<u>AP4</u>	List the actual direct program expenditures for state compensatory education programs during the District's fiscal year. (PICs 24, 26, 28, 29, 30)	\$ 2,379,933
<u>Section B: Bilingual Education Programs</u>		
<u>AP5</u>	Did your District expend any bilingual education program state allotment funds during the District's fiscal year?	Yes
<u>AP6</u>	Does the District have written policies and procedures for its bilingual education program?	Yes
<u>AP7</u>	List the total state allotment funds received for bilingual education programs during the District's fiscal year.	\$ 512,630
<u>AP8</u>	List the actual direct program expenditures for bilingual education programs during the District's fiscal year. (PIC's 25)	\$ 315,790

FEDERAL AWARDS SECTION

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2025

(01) Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal ALN Number	(02A) Pass-through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through the Texas Education Agency:			
ESSA Title I Part A - Improving Basic Programs	84.010a	25610101112901	\$ 819,095
ESSA Title I Part A - Improving Basic Programs	84.010a	26610101112901	22,110
ESSA Title I Part A - School Improvement	84.010a	25610141112901	81,648
<i>Total ALN 84.010</i>			<u>922,853</u>
IDEA-B, Formula - B	84.027a	256600011129016000	942,006
IDEA-B, Formula - B	84.027a	266600011129016000	98,603
<i>Total ALN 84.027</i>			<u>1,040,609</u>
IDEA-B, Preschool - B	84.173a	256610011129016100	30,541
IDEA - B, Preschool - B	84.173a	266610011129016100	1,867
<i>Total ALN 84.173</i>			<u>32,408</u>
Carl Perkins - Perkins V	84.048a	254200061112901	55,254
<i>Total ALN 84.048</i>			<u>55,254</u>
ESSA Title II Part A - Supporting Effective Education	84.367a	25694501112901	117,707
ESSA Title II Part A - Supporting Effective Education	84.367a	26694501112901	3,770
<i>Total ALN 84.367</i>			<u>121,477</u>
ESSA Title III Part A - English Language Acquisition	84.365a	25671001112901	59,160
ESSA Title III Part A - English Language Acquisition	84.365a	26671001112901	1,080
<i>Total ALN 84.365</i>			<u>60,240</u>
ESSA Title III Part A - Subpart 1	84.424a	25671001112901	56,609
ESSA Title III Part A - Subpart 1	84.424a	26671001112901	1,670
<i>Total ALN 84.424</i>			<u>58,279</u>
Summer School LEP	84.369a	69552302	2,727
<i>Total ALN 84.369</i>			<u>2,727</u>
Total passed through Texas Education Agency			<u>2,293,847</u>
Total Department of Education			<u>2,293,847</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Program:			
Head Start*	93.600	06CH01110804	142,636
Head Start*	93.600	06CH01110805	1,535,444
<i>Total ALN 93.600</i>			<u>1,678,080</u>
Passed through the Texas Health and Human Services Commission:			
Medicaid Administrative Claiming	93.778	112901	8,741
Total Department of Health and Human Services			<u>1,686,821</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program - A	10.553	00600	571,604
National School Lunch Program - A	10.555	00600	1,906,984
National School Lunch Program - Supply Chain Assistance Grant - A	10.555	00600	163,446
Child and Adult Food Program	10.558	00602	9,805
USDA - Commodity Deliver Reimbursement	10.560	NT4XL1YGLGC5	3,492
USDA Commodity Food Distribution	10.565	00600	239,200
Total Department of Agriculture			<u>2,894,531</u>
Total Federal Expenditures			<u>\$ 6,875,199</u>

*Major Program

A - Child Nutrition Cluster - Total Cluster - \$ 2,651,839

B - Special Education Cluster - Total Cluster - \$ 1,073,017

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

SULPHUR SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2025

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal activity of the Sulphur Springs Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 or changes in net position of the District. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

B. Summary of Significant Accounting Policies

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 expenditures were accounted for in the General Fund and Special Revenue Funds which are governmental fund types. Such expenditures are recognized following the cost principles contained in the Uniform Guidance; wherein certain types of expenditures are not allowed or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant.

C. Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and used. No provision has been made for amounts on hand on August 31, 2025.

D. Indirect Cost

The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

E. Reconciliation of Federal Revenue with Financial Statements

The District records amounts received from the federal government or other recipients of federal grant as federal revenue in the financial statements. This reconciliation identifies the difference between the financial statement revenues and the schedule of expenditures of federal awards:

Total Federal Expenditures (Exhibit K-1)	\$ 6,875,199
SHARS Funding	<u>100,275</u>
Federal Revenue (Exhibit C-3)	<u><u>\$ 6,975,474</u></u>