

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended August 31, 2025



HITCHCOCK INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Certificate of Board	i	
Independent Auditor's Report	1	
Management's Discussion and Analysis	5	
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	14	A-1
Statement of Activities	15	B-1
Governmental Fund Financial Statements:		
Balance Sheet	16	C-1
Reconciliation of Balance Sheet for Governmental Funds to Statement of Net Position	17	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances	18	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19	C-2R
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Position	20	E-1
Statement of Changes in Fiduciary Net Position	21	E-2
Notes to the Financial Statements	23	F-1
Required Supplementary Information:		
Budgetary Comparison Schedule - General Fund	55	G-1
Notes to Required Supplementary Information	56	
Schedule of the District's Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas	57	G-2
Schedule of the District's Pension Contributions – Teacher Retirement System of Texas	58	G-3
Notes to Required Supplementary Information – Pension	59	
Schedule of the District's Proportionate Share of the Net OPEB Liability – Teacher Retirement System of Texas	60	G-4
Schedule of the District's OPEB Contributions – Teacher Retirement System of Texas	61	G-5
Notes to Required Supplementary Information – OPEB	62	
Other Supplementary Information:		
Combining Fund Statements:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	64	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	70	H-2
Required TEA Schedules		
Schedule of Delinquent Taxes Receivable	79	J-1
Budgetary Comparison Schedule - Child Nutrition Program Fund	80	J-2
Budgetary Comparison Schedule - Debt Service Fund	81	J-3
Compensatory Education Program and Bilingual Education Program Compliance Responses	82	J-4
Required Responses to Selected School First Indicators	83	L-1

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS (continued)

	<u>Page</u>	<u>Exhibit</u>
Federal Awards Section		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	87	
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance required by the Uniform Guidance	89	
Schedule of Findings and Questioned Costs	92	
Schedule of Expenditures of Federal Awards	96	K-1
Notes to Schedule of Expenditures of Federal Awards	97	K-2
Summary Schedule of Prior Audit Findings	99	
Corrective Action Plan	101	

CERTIFICATE OF BOARD

Hitchcock Independent School District

Name of School District

Hitchcock

County

084-908

Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended August 31, 2025, at a meeting of the board of trustees of such school district on March 23, 2026.



President of the Board



Vice President of the Board



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Hitchcock Independent School District

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, pension information, and other-post employment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 combining nonmajor fund financial statements, required Texas Education Agency (TEA) schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

To the Board of Trustees
Hitchcock Independent School District

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, required TEA schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
March 23, 2026



HITCHCOCK INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference of the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*).

Fund Financial Statements

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

Governmental Funds

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

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

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The District maintains individual governmental funds for general, special revenue, debt service, and capital projects funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund, and SSA Special Education fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and National School Breakfast and Lunch Program special revenue fund.

Fiduciary Funds

The fiduciary funds are used to account for resources held for the benefit of students and employees. The fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs.

A *custodial fund* is a type of fiduciary fund used to report resources held by the District in a purely custodial capacity. The District accounts for the activities of student groups in this type of fund.

Notes to the Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund. The Required Supplementary Information also includes information related to the required pension system information and the required other post-employment benefit system information.

Other Information

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information.

Financial Summary and Detailed Analysis

- The assets and deferred outflows of the District exceeded liabilities and deferred inflows at the close of the most recent fiscal year by \$2,843,433. Of this amount, \$14,504,775 was net investment in capital assets, \$3,806,020 was restricted for debt service, and \$2,051,636 was restricted for federal and state programs. The remaining amount was a deficit unrestricted net position of \$17,713,306.
- The District's total net position increased by \$3,110,421 after a prior period adjustment in the amount of \$176,278.
- The District's governmental funds reported combined ending fund balances of \$14,358,210 as of August 31, 2025. Of this amount, \$779,858 is non-spendable in the form, \$14,686,724 is restricted, and the remaining amount in fund balance of \$1,112,680 is classified as unassigned and is available for spending at the District's discretion.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of the District exceeded liabilities and deferred inflows by \$2,843,433 at the close of the most recent fiscal year. A portion of the District's net position reflects its investment in capital assets, less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		
	2025	2024	Change
Current and other assets	\$ 18,684,914	\$ 29,316,270	\$ (10,631,356)
Capital assets	75,330,052	65,836,083	9,493,969
Deferred Outflows of Resources	5,424,037	5,194,166	229,871
Total Assets and Deferred Outflows of Resources	99,439,003	100,346,519	(907,516)
Current liabilities	9,042,400	8,945,282	97,118
Long term liabilities	81,766,511	84,607,459	(2,840,948)
Deferred Inflows of Resources	5,786,659	7,060,766	(1,274,107)
Total Liabilities and Deferred Inflows of Resources	96,595,570	100,613,507	(4,017,937)
Net Position			
Net investment in capital assets	14,504,775	13,034,640	1,470,135
Restricted	6,051,964	5,029,931	1,022,033
Unrestricted	(17,713,306)	(18,331,559)	618,253
Total Net Position	\$ 2,843,433	\$ (266,988)	\$ 3,110,421

Prior period balances were not restated above as certain restatements were not identified.

Net position in the governmental activities is restricted for various purposes as follows:

	Governmental Activities	
	2025	2024
Federal and state programs	\$ 2,051,636	\$ 1,540,706
Debt Service	3,806,020	2,733,102
Other purposes	194,308	756,123
	\$ 6,051,964	\$ 5,029,931

The remaining balance of net position in the governmental activities consists of an unrestricted net deficit of \$17,713,306. At the end of the current fiscal year, the District reports positive balances in restricted net position and net investment in capital assets, which is reported net of outstanding related debt, in the governmental activities. Net position increased by \$2,934,143 as a result of current year activities and increased by \$3,110,421 when comparing to net position previously reported. These increases to net position are primarily due to the capitalization of assets increasing the District's net investment in capital assets.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent 93% of total revenues. The remaining 7% is generated from charges for services, investment earnings, and miscellaneous revenues.

	Governmental Activities		
	2025	2024	Change
Program Revenues			
Charges for services	\$ 1,434,883	\$ 1,702,421	\$ (267,538)
Operating grants and contributions	7,659,775	9,636,738	(1,976,963)
General Revenues			
Property taxes	15,036,590	13,411,510	1,625,080
State Aid - Formula Grants	9,876,054	9,247,112	628,942
Interest earnings	918,136	1,768,468	(850,332)
Miscellaneous	37,522	84,427	(46,905)
Total Revenues	34,962,960	35,850,676	(887,716)
Expenses			
Instruction	13,302,378	15,565,164	(2,262,786)
Instructional resources and media services	184,178	229,658	(45,480)
Curriculum and staff development	298,682	268,934	29,748
Instructional leadership	563,060	988,776	(425,716)
School leadership	1,392,119	1,572,231	(180,112)
Guidance, counseling, and evaluation services	2,263,634	2,096,087	167,547
Social work services	132,108	106,185	25,923
Health services	433,204	619,999	(186,795)
Student transportation	1,203,703	1,526,145	(322,442)
Food service	1,868,089	1,577,534	290,555
Extracurricular activities	810,342	1,334,956	(524,614)
General administration	1,481,506	1,355,200	126,306
Facilities maintenance and operations	3,466,201	3,688,380	(222,179)
Security and monitoring services	568,814	740,361	(171,547)
Data processing services	579,285	431,533	147,752
Community services	65,016	69,281	(4,265)
Interest on long-term debt	2,475,489	2,494,683	(19,194)
Payments related to shared services arrangements	783,703	370,912	412,791
Payments to juvenile justice programs	27,222	25,365	1,857
Other intergovernmental charges	130,084	110,124	19,960
Total Expenses	32,028,817	35,171,508	(3,142,691)
Change in Net Position	2,934,143	679,168	2,254,975
Beginning Net Position, as Restated	(90,710)	(946,156)	855,446
Ending Net Position	\$ 2,843,433	\$ (266,988)	\$ 3,110,421

Prior period balances were not restated above as certain restatements were not identified.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

	Total Revenues	% of Total Revenues
Property taxes	\$ 15,036,590	43.0%
State Aid - Formula Grants	9,876,054	28.2%
Operating grants and contributions	7,659,775	21.9%
Other revenue	2,390,541	6.9%
Total Revenues	\$ 34,962,960	100%

The primary functional expense of the District is instruction, which represents 42% of total expenses. Other major functional expenses of the District are listed separately below. The other expenses represent individual functional categories of expenses which are each less than 5 percent of total expenses.

	Total Expenses	% of Total Expenses
Instruction	\$ 13,302,378	41.5%
School leadership	1,392,119	4.3%
Guidance, counseling, and evaluation services	2,263,634	7.1%
Facilities maintenance and operations	3,466,201	10.8%
Interest on long-term debt	2,475,489	7.7%
Other expenses	9,128,996	28.6%
Total Expenses	\$ 32,028,817	100%

Governmental Funds Financial Analysis

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$14,358,210, a decrease of \$9,516,008 in comparison with the prior year before any restatements.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was a deficit \$1,112,680, while total fund balance reached \$4,667,178. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents -5% of expenditures and total fund balance represents 22% of the same amount.

During the current fiscal year, the total fund balance of the District's general fund increased by \$188,032 due to increase in property tax revenues related to property value increases.

The debt service fund has a total fund balance of \$3,759,181, all of which is restricted for the payment of debt service. The fund balance increased during the current year by \$1,197,895 due to an increase in property tax revenues related to property value increases.

The capital projects fund has a total fund balance of \$3,681,599, all of which is restricted for construction and capital asset additions. The fund balance decreased during the current year by \$10,854,205 due to the progress of the high school addition and renovations project.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of the general fund are summarized as follows:

	Budget	
	Original	Final Amended
Total revenues	\$ 19,699,944	\$ 19,295,082
Total expenditures	19,636,670	23,328,825
Other financing sources (uses)	-	-
Net Change in Fund Balance	\$ 63,274	\$ (4,033,743)

Capital Assets

The District's investment in capital assets for its governmental type activities as of August 31, 2025, includes land, buildings and improvements, and furniture and equipment. The investment in capital assets (capital outlays) during the current year amounted to \$11,266,296. The following table summarizes the investment in capital assets as of August 31, 2025 and 2024.

	August 31, 2025	August 31, 2024
Land	\$ 1,641,080	\$ 1,641,080
Buildings and improvements	70,947,710	34,120,570
Furniture and equipment	2,137,171	800,492
Vehicles	604,091	739,249
Construction in progress	-	28,534,692
Net Capital Assets	\$ 75,330,052	\$ 65,836,083

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

Long-term Liabilities

At the end of the current fiscal year, the District's long-term debt consisted of general obligation bonds (net of premium), private placement bonds, private placement loans, and private placement notes. The District's general obligation bonds are sold with an "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program. The District's underlying credit rating from S&P Global Ratings was downgraded from "A+" to "A-" on May 9, 2025. Changes in long-term debt, for the year ended August 31, 2025, are as follows:

Beginning Balance	Issued	Retired	Ending Balance
\$ 72,975,103	\$ -	\$ (2,966,371)	\$ 70,008,732

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

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors and Next Year's Budgets and Rates

The District's Board adopted a maintenance and operations tax rate of \$0.78340 and an interest and sinking rate of \$0.31233 for a combined rate of \$1.09573 per \$100 of property valuation. The budgeted revenues and expenditures for next fiscal year are as follows:

General Fund Budget	Fiscal Year
	2026
Budgeted Revenues	\$ 23,195,638
Budgeted Expenditures	22,920,740
	<u>\$ 274,898</u>

Contacting the District's Financial Management

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District's business office at 7801 Neville Avenue, Hitchcock, Texas 77563.



BASIC FINANCIAL STATEMENTS

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

August 31, 2025

Exhibit A-1

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	\$ 14,571,119
1220	Property taxes receivable	1,186,960
1230	Allowance for uncollectible taxes	(415,000)
1240	Due from other governments, net of allowance	2,545,648
1290	Other receivables	16,329
1300	Inventories	38,101
1410	Prepaid items	741,757
	Capital assets:	
1510	Land	1,641,080
1520	Buildings, net	70,947,710
1530	Furniture and equipment, net	2,741,262
1000	Total Assets	94,014,966
	Deferred Outflows of Resources	
	Deferred charge on refunding	551,856
	Deferred outflows - pension	2,095,666
	Deferred outflows - OPEB	2,776,515
1700	Total Deferred Outflows of Resources	5,424,037
	Liabilities	
2110	Accounts payable	712,278
2140	Interest payable	191,470
2150	Payroll deductions and withholdings	53,356
2160	Accrued wages payable	1,010,445
2180	Due to other governments	27,251
2190	Due to other	104,026
2200	Accrued expenses	1,536,130
2300	Unearned revenue	111,258
	Noncurrent Liabilities:	
	Due within one year:	
2501	Bonds, leases, and compensated absences	1,955,281
	Due in more than one year:	
2502	Bonds, leases, arbitrage, and compensated absences	71,540,135
2540	Net pension liability	8,271,095
2545	Net OPEB liability	5,296,186
2000	Total Liabilities	90,808,911
	Deferred Inflows of Resources	
	Deferred inflows - Pension	405,106
	Deferred inflows - OPEB	5,381,553
2600	Total Deferred Inflows of Resources	5,786,659
	Net Position	
3200	Net investment in capital assets	14,504,775
	Restricted for:	
3820	Federal and state programs	2,051,636
3850	Debt service	3,806,020
3890	Other	194,308
3900	Unrestricted (deficit)	(17,713,306)
3000	Total Net Position	\$ 2,843,433

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2025

Exhibit B-1

Data Control Codes	Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 13,302,378	\$ 577,845	\$ 1,950,296	\$ (10,774,237)
12	Instructional resources and media services	184,178	-	1,472	(182,706)
13	Curriculum and staff development	298,682	-	152,901	(145,781)
21	Instructional leadership	563,060	270,959	19,172	(272,929)
23	School leadership	1,392,119	-	248,632	(1,143,487)
31	Guidance, counseling, and evaluation services	2,263,634	245,888	1,470,042	(547,704)
32	Social work services	132,108	-	137,727	5,619
33	Health services	433,204	11,658	255,245	(166,301)
34	Student transportation	1,203,703	-	43,114	(1,160,589)
35	Food service	1,868,089	-	2,220,355	352,266
36	Extracurricular activities	810,342	45,773	3,532	(761,037)
41	General administration	1,481,506	4,237	58,050	(1,419,219)
51	Facilities maintenance and operations	3,466,201	32,217	195,422	(3,238,562)
52	Security and monitoring services	568,814	-	148,557	(420,257)
53	Data processing services	579,285	-	31,523	(547,762)
61	Community services	65,016	-	79,948	14,932
72	Interest on long-term debt	2,475,489	-	643,787	(1,831,702)
93	Payments related to shared services arrangements	783,703	246,306	-	(537,397)
95	Payments to juvenile justice programs	27,222	-	-	(27,222)
99	Other intergovernmental charges	130,084	-	-	(130,084)
TG	Total Governmental Activities	<u>\$ 32,028,817</u>	<u>\$ 1,434,883</u>	<u>\$ 7,659,775</u>	<u>(22,934,159)</u>
General Revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				9,831,551
DT	Property taxes, levied for debt service				5,205,039
SF	State-aid formula grants				9,876,054
IE	Investment earnings				918,136
MI	Miscellaneous				37,522
	Total General Revenues				<u>25,868,302</u>
CN	Change in net position				2,934,143
NB	Net Position - Beginning, as Previously Reported				(266,988)
PA	Restatement				176,278
	Net Position - Beginning, as Restated				<u>(90,710)</u>
NE	Net Position - Ending				<u>\$ 2,843,433</u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

August 31, 2025

Exhibit C-1

Data Control Codes	General Fund	Debt Service Fund	Capital Projects Fund	SSA Special Education	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
1110 Cash and cash equivalents	\$ 3,763,135	\$ 3,802,360	\$ 4,161,109	\$ 1,730,414	\$ 1,114,101	\$ 14,571,119
Receivables:						
1220 Property taxes - delinquent	820,651	366,309	-	-	-	1,186,960
1230 Allowance for uncollectible taxes (credit)	(287,000)	(128,000)	-	-	-	(415,000)
1240 Due from other governments	1,940,964	12,313	-	83,898	508,473	2,545,648
1260 Due from other funds	1,811,308	-	1,303,425	-	1,079,594	4,194,327
1290 Other receivables	16,329	-	-	-	-	16,329
1300 Inventories, at cost	38,101	-	-	-	-	38,101
1410 Prepaid items	741,757	-	-	-	-	741,757
1000 Total Assets	\$ 8,845,245	\$ 4,052,982	\$ 5,464,534	\$ 1,814,312	\$ 2,702,168	\$ 22,879,241
Liabilities:						
2110 Accounts payable	\$ 250,052	\$ 1,650	\$ 246,805	\$ 88,464	\$ 125,307	\$ 712,278
Payroll deduction and withholdings payable	53,356	-	-	-	-	53,356
2160 Accrued wages payable	853,963	-	-	21,804	134,678	1,010,445
2170 Due to other funds	2,383,019	44,836	-	1,482,485	283,987	4,194,327
2180 Due to other governments	-	-	-	27,251	-	27,251
2190 Due to student and employee groups	104,026	-	-	-	-	104,026
2200 Accrued expenditures	-	-	1,536,130	-	-	1,536,130
2300 Unearned revenues	-	9,006	-	-	102,252	111,258
2000 Total Liabilities	3,644,416	55,492	1,782,935	1,620,004	646,224	7,749,071
Deferred Inflows of Resources						
Unavailable revenue - property taxes	533,651	238,309	-	-	-	771,960
2600 Total Deferred Inflows of Resources	533,651	238,309	-	-	-	771,960
Fund Balances:						
Nonspendable:						
3410 Inventories	38,101	-	-	-	-	38,101
3430 Prepaid items	741,757	-	-	-	-	741,757
Restricted:						
3450 Grant restrictions	-	-	-	194,308	2,051,636	2,245,944
3470 Capital acquisitions	-	-	3,681,599	-	-	3,681,599
3480 Debt service	-	3,759,181	-	-	-	3,759,181
3490 Other purposes	5,000,000	-	-	-	-	5,000,000
Committed:						
3545 Other purposes	-	-	-	-	4,308	4,308
3600 Unassigned	(1,112,680)	-	-	-	-	(1,112,680)
3000 Total Fund Balances	4,667,178	3,759,181	3,681,599	194,308	2,055,944	14,358,210
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,845,245	\$ 4,052,982	\$ 5,464,534	\$ 1,814,312	\$ 2,702,168	\$ 22,879,241

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

Data Control Codes		
	Total Fund Balance - Governmental Funds	\$ 14,358,210
1	Capital assets of \$108,509,953, net of accumulated depreciation/amortization of \$33,179,901, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	75,330,052
	Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.	
2	Deferred outflows - pension related	2,095,666
3	Deferred outflows - OPEB related	2,776,515
4	Deferred inflows - pension related	(405,106)
5	Deferred inflows - OPEB related	(5,381,553)
	Other long-term assets that are not available to pay for current period expenditures and, therefore, are either deferred or not reported in the funds.	
6	Property taxes	771,960
	Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	
7	Bonds payable	(58,145,000)
8	Private placement bonds payable	(485,000)
9	Private placement note payable	(4,950,000)
10	Private placement loan payable	(856,272)
11	Accreted interest	(3,165,075)
12	Compensated absences	(321,609)
13	Accrued interest on long-term debt	(191,470)
14	Net pension liability	(8,271,095)
15	Net OPEB liability	(5,296,186)
	Governmental funds report the effect of premiums, discounts, and refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
16	Deferred amount on refunding	551,856
17	Premium on general obligation bonds	(5,572,460)
29	Total Net Position - Governmental Activities	\$ 2,843,433

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended August 31, 2025

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	SSA Special Education	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
5700	Local and intermediate sources	\$ 10,239,679	\$ 5,368,155	\$ 362,122	\$ 1,058,673	\$ 76,434	\$ 17,105,063
5800	State program revenues	11,255,470	616,880	-	45,365	266,786	12,184,501
5900	Federal program revenues	181,255	26,907	-	367,748	6,190,847	6,766,757
5020	Total Revenues	21,676,404	6,011,942	362,122	1,471,786	6,534,067	36,056,321
Expenditures							
Current:							
0011	Instruction	10,605,825	-	-	883,003	1,774,446	13,263,274
0012	Instruction resources and media services	179,657	-	-	-	-	179,657
0013	Curriculum and staff development	153,518	-	-	-	149,420	302,938
0021	Instructional leadership	129,579	-	-	399,482	15,547	544,608
0023	School leadership	1,158,842	-	-	-	230,755	1,389,597
0031	Guidance, counseling and evaluation services	463,858	-	-	362,519	1,439,248	2,265,625
0032	Social work services	-	-	-	-	137,745	137,745
0033	Health services	319,599	-	-	17,187	99,083	435,869
0034	Student transportation	1,140,555	-	-	-	33,890	1,174,445
0035	Food service	-	-	-	-	1,749,291	1,749,291
0036	Extracurricular activities	817,709	-	-	-	2,992	820,701
0041	General administration	1,403,757	-	-	6,246	17,340	1,427,343
0051	Plant maintenance and operations	3,154,863	-	-	1,278	118,027	3,274,168
0052	Security and monitoring services	402,604	-	-	-	146,701	549,305
0053	Data processing services	525,857	-	-	-	28,958	554,815
0061	Community services	-	-	-	-	77,290	77,290
Debt service:							
0071	Principal on long-term debt	249,371	2,275,000	-	-	-	2,524,371
0072	Interest on long-term debt	204,904	2,535,691	-	-	-	2,740,595
0073	Bond issuance costs and fees	-	3,356	-	-	-	3,356
Capital outlay:							
0081	Facilities acquisition and construction	-	-	11,216,327	-	-	11,216,327
Intergovernmental:							
0093	Payments related to shared services arrangement	420,568	-	-	363,135	-	783,703
0095	Payments to juvenile justice programs	27,222	-	-	-	-	27,222
0099	Other intergovernmental charges	130,084	-	-	-	-	130,084
6030	Total Expenditures	21,488,372	4,814,047	11,216,327	2,032,850	6,020,733	45,572,329
1100	Excess (deficiency) of revenues over (under) expenditures	188,032	1,197,895	(10,854,205)	(561,064)	513,334	(9,516,008)
1200	Net change in fund balances	188,032	1,197,895	(10,854,205)	(561,064)	513,334	(9,516,008)
Fund Balance - Beginning of Year, as Previously Presented							
0100		3,904,204	2,637,590	14,535,804	-	2,298,733	23,376,331
1300	Restatements	574,942	(76,304)	-	-	(751)	497,887
	Adjustments	-	-	-	755,372	(755,372)	-
Fund Balance - Beginning of Year, as Restated/Adjusted							
		4,479,146	2,561,286	14,535,804	755,372	1,542,610	23,874,218
3000	Fund Balance - End of Year	\$ 4,667,178	\$ 3,759,181	\$ 3,681,599	\$ 194,308	\$ 2,055,944	\$ 14,358,210

HITCHCOCK INDEPENDENT SCHOOL DISTRICT*Exhibit C-2R***RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES****For the Year Ended August 31, 2025**

Data Control Codes		
	Net Change in Fund Balances - Total Governmental Funds	\$ (9,516,008)
1	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization expense in the current period.	9,493,969
	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
2	Property taxes	61,478
	Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
3	Principal paid on bonds	2,324,720
4	Principal paid on loans	199,651
	Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
5	Accrued interest on long-term debt	(69,785)
6	Accreted interest on long-term debt	(17,753)
7	Amortization of bond premiums	442,000
8	Amortization of deferred amounts on refunding	(86,000)
9	Changes in pension liabilities and related deferred inflows/outflows of resources	(614,455)
10	Changes in OPEB liabilities and related deferred inflows/outflows of resources	716,326
	Change in Net Position of Governmental Activities	\$ 2,934,143

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
August 31, 2025

Exhibit E-1

	Custodial Fund
Assets	
Cash and cash equivalents	\$ 18,832
Due from others	104,026
Total Assets	<u>\$ 122,858</u>
Liabilities	
Accounts payable	\$ 6,508
Due to student groups	10,196
Total Liabilities	<u>\$ 16,704</u>
Net Position	
Restricted for other purposes	\$ 106,154
Total Net Position	<u><u>\$ 106,154</u></u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2025

Exhibit E-2

	<u>Custodial Fund</u>
Additions	
Earning from endowments	\$ 249,402
Total Additions	<u>249,402</u>
Deductions	
Professional and contracted services	<u>213,666</u>
Total Deductions	<u>213,666</u>
Change in fiduciary net position	35,736
Net Position - September 1 (Beginning)	<u>70,418</u>
Net Position - August 31 (Ending)	<u><u>\$ 106,154</u></u>



Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Hitchcock Independent School District (District) is governed by a seven-member Board of Trustees (Board), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Because members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. The accompanying financial statements present the District. There are no component units, entities for which the District is considered to be financially accountable, 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.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. The effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The proprietary and custodial funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- The *SSA Special Education fund* is used to operate as the fiscal agent for a shared service arrangement to provide special education services to Damon ISD, Danbury ISD, Hitchcock ISD, and Needville ISD.

Additionally, the District reports the following fund types:

Proprietary Funds

- The *internal service fund* accounts for employee benefits provided to other funds and/or employees of the District on a cost reimbursement basis.

Fiduciary Funds

- The *private purpose trust fund* is used to report all trust arrangements by the District. This fund type is used to account for the District's scholarship funds.
- The *custodial fund* is used to account for assets held by the District as a fiduciary for student organizations.

Nonmajor governmental funds of the District include federal, state and local grant funds accounted for as *special revenue funds*.

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and investment income.

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

Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest-earning contracts, such as certificates of deposit, are reported at cost.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Government investment pools and commercial paper

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax receivables include unpaid property taxes at year-end along with penalties and interest assessed on these unpaid taxes and are shown net of an allowance for uncollectibles. The property tax receivable allowance is based on historical collections. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are determined by the Galveston Central Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

Inventories and Prepaid Items

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, and office and instructional supplies. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. A portion of fund balance is classified as non-spendable to reflect minimum inventory quantities considered necessary for the District's continuing operations.

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

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, furniture and equipment, vehicles, the intangible right-to-use lease assets, and intangible subscription assets, are reported in the governmental column in the government-wide financial statements. The District's infrastructure includes parking lots and roads associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, or estimated historical cost if purchased or constructed, except for right to use leased assets. Donated capital assets are recorded at acquisition value at the date of donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings and improvements, furniture and equipment, and right-to-use assets of the District are depreciated/amortized using the straight-line method over the following estimated useful lives or contract terms:

Assets	In Years
Buildings and improvements	20 - 40
Furniture and equipment	8 - 20
Vehicles	10
Right-to-use lease assets	Lesser of lease term or underlying asset's useful life
Subscription assets	Equal to subscription term

Long-term Obligations

The District's long-term obligations consist of bonds, loans, and notes payable. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

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

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for notes payable principal and interest expenditures are accounted for in the general fund. The current requirements for compensated absences are accounted for in the general fund.

Note 1 - Summary of Significant Accounting Policies (continued)

Leases

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

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

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

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

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

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

Subscription-Based Information Technology Arrangements (SBITAs)

From time to time, the District may be under contract for various SBITAs for the right to use subscription assets (software). The SBITAs are noncancellable, and the District recognizes a SBITA liability and an intangible right to use SBITA asset in the government-wide financial statements. The District recognizes SBITA liabilities with an initial, individual value of \$5,000 or more.

At the commencement of the SBITA, the District initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the sum of (1) the initial SBITA liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

Note 1 - Summary of Significant Accounting Policies (continued)

Subscription-Based Information Technology Arrangements (SBITAs) (continued)

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

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

The District monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability. SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Note 1 - Summary of Significant Accounting Policies (continued)

Other Post-Employment Benefits (OPEB)

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

Net Position and Fund Balances

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

Nonspendable fund balance – Amounts that are not in spendable form or are required to be maintained intact. As such, inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1). However, if the use of the proceeds from the sale of the inventory is restricted, committed, or assigned, then the applicable amounts are included in the appropriate fund balance classification, rather than nonspendable fund balance.

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

Committed fund balance – Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund.

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Note 1 - Summary of Significant Accounting Policies (continued)

Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Financial Accountability System Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

Use of Estimates

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

Implementation of New Accounting Standards

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

GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2025 and did not have an effect on the financial statements.

Note 2 - Deposits and Investments

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository bank's agent bank. The pledged securities are approved by the Texas Education Agency and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2025, the District's cash in bank totaled \$2,803,417. The carrying value was \$2,757,479 (governmental activities) and \$18,832 (fiduciary funds). Total deposits requiring collateral as of August 31, 2025 was \$2,391,905 and these funds were properly collateralized.

Note 2 - Deposits and Investments (continued)

Investments

For fiscal year 2025, the District only invested in local government investment pools.

MBIA Texas CLASS Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act, is administered and managed by MBIA Municipal Investors Service Corporation. Wells Fargo Bank N.A. is the custodial bank. The primary objectives of MBIA Texas CLASS Investment Pool, is to maintain safety of principal while providing participating government entities (Participants) with the highest possible rate of return for invested funds.

The Lone Star Investment Pool ("Lone Star") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards, 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 Lone Star members and nonmembers. Lone Star is rated 'AAA' by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund and Corporate Overnight fund of Lone Star. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government Overnight, Corporate Overnight, and Corporate Overnight Plus maintain a net asset value of \$1.00.

The Texas Short-Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services. TexSTAR is measured at amortized cost. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to TexSTAR. TexSTAR has a redemption notice period of one day and may redeem daily. TexSTAR's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national or state emergency that affects TexSTAR's liquidity. TexSTAR is rated AAA by Standard & Poor's.

The Texas Range Local Government Investment Pool (Texas Range) was created in 2000 to allow Texas local governments and school districts to pool their funds for investment. Texas Range is directed by an advisory board of experienced local government officials, finance directors, and treasurers and is managed by a team of industry leaders that are focused on providing professional investment services to investors. Texas Range has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256. Finally, Texas Range is rated AAA by Standard & Poor's.

Note 2 - Deposits and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis and specific identification. In order to limit interest and market rate risk from changes in interest rates, the ISD's adopted Investment Policy sets a maximum dollar weighted maturity of 180 days for any internally created pool fund group and no individual investment's maturity shall exceed one year from the date of purchase. The Board may specifically authorize longer maturities for a given investment, within legal limits. In addition, the debt service fund and capital projects fund allow maturities longer than one year as long as legal limits are not exceeded.

Credit Risk

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

The District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79 *Certain External Investment Pools and Pool Participants*. In addition, the investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates.

At year-end, the District's governmental activities' investment balances, weighted average maturity (in days), valuation method, and Standard & Poor's (S&P) ratings were as follows:

	Investment Maturity in Years		Total Fair Value	% of Portfolio	Weighted Average Maturity	Valuation Method	S&P / Moody Rating
	Less than 1	1-5					
Cash and Cash Equivalents:							
Time deposits	\$ 2,776,311	\$ -	\$ 2,776,311	19.0%	1	N/A	N/A
Local Government Investment Pools:							
Texas Range	5,096,395	-	5,096,395	34.9%	51	Amortized Cost	AAAmf
Texas CLASS	5,966,024	-	5,966,024	40.9%	44	Amortized Cost	AAAm
Lone Star	556,775	-	556,775	3.8%	26	Amortized Cost	AAAm
TexSTAR	194,446	-	194,446	1.3%	47	Amortized Cost	AAAm
Total Local Government Investment Pools	11,813,640	-	11,813,640	34.9%	46		
Total Cash and Cash Equivalents:	\$ 14,589,951	\$ -	\$ 14,589,951	53.9%	38		

Note 3 - Receivables and Unearned Revenue

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

	General Fund	Debt Service Fund	SSA Special Education	Nonmajor Governmental Funds	Total
Property taxes	\$ 820,651	\$ 366,309	\$ -	\$ -	\$ 1,186,960
Due from other governments	1,940,964	12,313	83,898	508,473	2,545,648
Other	16,329	-	-	-	16,329
Gross receivables	2,777,944	378,622	83,898	508,473	3,748,937
Allowance for doubtful accounts, property tax related	(287,000)	(128,000)	-	-	(415,000)
Net Total Receivables	\$ 2,490,944	\$ 250,622	\$ 83,898	\$ 508,473	\$ 3,333,937

Unearned revenue as of year-end for the District's individual major and nonmajor funds in the aggregate are as follows:

	Unearned Revenue
Debt Service Fund	\$ 9,006
Nonmajor Governmental Funds	102,252
Total	\$ 111,258

The amounts reported as unearned revenue represent funds received in advance for state aid (debt service fund) and amounts received in advance of incurring allowable costs for grants (nonmajor governmental funds).

Note 4 - Capital Assets

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

	Beginning Balance	Additions	Retirements	Transfers/ Corrections	Ending Balance
Capital Assets, not being Depreciated					
Land	\$ 1,641,080	\$ -	\$ -	\$ -	\$ 1,641,080
Construction in progress	28,534,692	9,574,191	-	(38,108,883)	-
Total Capital Assets, Not Being Depreciated	30,175,772	9,574,191	-	(38,108,883)	1,641,080
Capital Assets, Being Depreciated					
Buildings and improvements	62,059,539	207,882	-	38,108,883	100,376,304
Furniture and equipment	1,802,857	1,424,397	-	-	3,227,254
Vehicles	3,205,489	59,826	-	-	3,265,315
Total Capital Assets, Being Depreciated	67,067,885	1,692,105	-	38,108,883	106,868,873
Less Accumulated Depreciation for:					
Buildings and improvements	(27,938,969)	(1,489,625)	-	-	(29,428,594)
Furniture and Equipment	(1,002,365)	(87,718)	-	-	(1,090,083)
Vehicles	(2,466,240)	(194,984)	-	-	(2,661,224)
Total Accumulated Depreciation	(31,407,574)	(1,772,327)	-	-	(33,179,901)
Governmental Capital Assets	\$ 65,836,083	\$ 9,493,969	\$ -	\$ -	\$ 75,330,052

Note 4 - Capital Assets (continued)

The amount reported as net investment in capital assets as of August 31, 2025 consists of the following:

	Balance as of August 31, 2025
Governmental Activities:	
Capital Assets, Net	\$ 75,330,052
Less:	
Bonds payable	(58,145,000)
Unamortized premium	(5,572,460)
Private placement bonds payable	(485,000)
Private placement loan payable	(856,272)
Other capital-related payables	(1,782,935)
Plus:	
Deferred charge on refunding	551,856
Unspent bond proceeds	5,464,534
Net Investment in Capital Assets	\$ 14,504,775

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

Function	Depreciation Expense
Instruction	\$ 828,183
Instructional resources and media services	11,319
Curriculum and staff development	11,813
Instructional leadership	35,186
School leadership	85,055
Guidance, counseling, and evaluation services	140,178
Social work services	5,546
Health services	26,775
Student transportation	71,841
Food service	118,798
Extracurricular activities	50,646
General administration	97,041
Facilities maintenance and operations	218,633
Security and monitoring services	35,001
Data processing services	36,312
	\$ 1,772,327

Note 5 - Interfund Receivables, Payables, and Transfers

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

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

	Interfund Receivable	Interfund Payable	Net
Governmental Funds			
General Fund	\$ 1,811,308	\$ (2,383,019)	\$ (571,711)
Debt Service Fund	-	(44,836)	(44,836)
Capital Projects Fund	1,303,425	-	1,303,425
SSA Special Education Fund	-	(1,482,485)	(1,482,485)
Nonmajor Governmental Funds	1,079,594	(283,987)	795,607
Total Governmental Funds	\$ 4,194,327	\$ (4,194,327)	\$ -

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” The District had no interfund transfers for the fiscal year ended August 31, 2025.

Note 6 - Accrued Liabilities

Accrued liabilities reported by governmental funds at August 31, 2025, were as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	SSA Special Education	Nonmajor Governmental Funds	Total
Accounts payable	\$ 250,052	\$ 1,650	\$ 246,805	\$ 88,464	\$ 125,307	\$ 712,278
Payroll withholdings	53,356	-	-	-	-	53,356
Accrued wages	853,963	-	-	21,804	134,678	1,010,445
Due to other governments	-	-	-	27,251	-	27,251
Retainage	-	-	1,536,130	-	-	1,536,130
Total	\$ 1,157,371	\$ 1,650	\$ 1,782,935	\$ 137,519	\$ 259,985	\$ 3,339,460

Note 7 - Long-Term Liabilities

The following is a summary of changes in the District's total governmental long-term liabilities for the year ended August 31, 2025:

	Restated Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds, Notes, and Loans:					
General obligation bonds	\$ 59,890,000	\$ -	\$ (1,745,000)	\$ 58,145,000	\$ 1,135,000
Private placement loan	1,055,643	-	(199,371)	856,272	205,281
Private placement bonds	1,015,000	-	(530,000)	485,000	485,000
Private placement notes	5,000,000	-	(50,000)	4,950,000	50,000
Premiums/discounts	6,014,460	-	(442,000)	5,572,460	-
Total Bonds, Notes, and Loans	72,975,103	-	(2,966,371)	70,008,732	1,875,281
Compensated absences	321,609	-	-	321,609	-
Lease payable	-	-	-	-	-
SBITA payable	-	-	-	-	-
Accreted interest	3,147,322	41,752	(23,999)	3,165,075	80,000
Net pension liability	8,485,034	-	(213,939)	8,271,095	-
Net OPEB liability	3,594,140	-	1,702,046	5,296,186	-
	-	-	-	-	-
	\$ 88,523,208	\$ 41,752	\$ (1,502,263)	\$ 87,062,697	\$ 1,955,281

Previous Years' Defeasance of Debt

The District had no defeased bonds outstanding as of August 31, 2025.

Accreted Interest on Debt

Certain outstanding debt obligations of the district include capital appreciation bonds (CABs), which do not require periodic interest payments but instead increase in value over time through accretion of interest. The accreted interest represents the difference between the original issuance amount and the maturity value of the bonds, which will be paid at maturity or earlier call. As of August 31, 2025, the total accreted interest liability on the district's outstanding CABs was \$3,165,075 as reported in the government-wide statement of net position. The total par value of the Series 2014 and Series 2021A CABs were \$165,000 and \$435,000, respectively. The total accreted values and maturity dates are as follows:

Fiscal Year	Total Accreted Value		
	Series 2014	Series 2021A	Totals
2026	\$ 850,000	\$ 115,000	\$ 965,000
2027	-	600,000	600,000
2028	-	600,000	600,000
2029	-	600,000	600,000
2030	-	600,000	600,000
2031 - 2035	-	595,000	595,000
2036 - 2040	-	-	-
2041 - 2045	-	-	-
2046 - 2050	-	-	-
	\$ 850,000	\$ 3,110,000	\$ 3,960,000

Leases and Subscription-Based Information Technology Arrangements (SBITAs)

The District did not report any liabilities, or corresponding right-to-use capital assets, for any existing leases or SBITAs.

Note 7 - Long-Term Liabilities (continued)

Long-Term Debt

Long-term debt for the year ended August 31, 2025 was composed of the following:

Issue	Original Amount	Interest Rate (%)	Maturity Date	Outstanding
General Obligation Bonds:				
Unlimited Tax School Building and Refunding Bonds, Series 2014	\$ 8,660,000	3.000%	2034	\$ 165,000
Unlimited Tax School Building and Refunding Bonds, Series 2015	8,830,000	2.000% to 4.000%	2038	4,635,000
Unlimited Tax School Building Bonds, Series 2016	1,635,000	3.000% to 5.000%	2031	735,000
Unlimited Tax Refunding Bonds, Series 2018	3,830,000	3.000% to 5.000%	2034	1,270,000
Unlimited Tax Refunding Bonds, Series 2021A	4,460,000	3.000%	2036	4,315,000
Unlimited Tax Refunding Bonds, Taxable Series 2021B	6,830,000	2.024% to 4.000%	2034	6,600,000
Unlimited Tax School Building Bonds, Series 2022	41,635,000	4.000% to 5.000%	2048	40,425,000
Total General Obligation Bonds	<u>75,880,000</u>			<u>58,145,000</u>
Private Placement Loan:				
Building improvement loan 2014	2,775,014	2.800%	2029	856,272
Private Placement Bond:				
Series 2010	500,000	3.850%	2025	-
Series 2011Q	5,400,000	5.330%	2026	485,000
Total Private Placement Bond	<u>5,900,000</u>			<u>485,000</u>
Private Placement Notes:				
Limited Maintenance Tax Note, Series 2024	5,000,000	3.690%	2034	4,950,000
				<u>\$ 64,436,272</u>

Note 7 - Long-Term Liabilities (continued)

Long-Term Debt (continued)

Debt service requirements to maturity are as follows:

Fiscal Year	General obligation bonds			Private placement bonds		
	Principal	Interest	Totals	Principal	Interest	Totals
2026	\$ 1,135,000	\$ 3,156,575	\$ 4,291,575	\$ 485,000	\$ 12,925	\$ 497,925
2027	1,980,000	2,807,200	4,787,200	-	-	-
2028	2,030,000	2,752,650	4,782,650	-	-	-
2029	2,090,000	2,695,325	4,785,325	-	-	-
2030	2,150,000	2,630,669	4,780,669	-	-	-
2031 - 2035	14,255,000	9,440,168	23,695,168	-	-	-
2036 - 2040	12,045,000	5,907,775	17,952,775	-	-	-
2041 - 2045	13,185,000	3,215,500	16,400,500	-	-	-
2046 - 2050	9,275,000	566,300	9,841,300	-	-	-
	<u>\$ 58,145,000</u>	<u>\$ 33,172,162</u>	<u>\$ 91,317,162</u>	<u>\$ 485,000</u>	<u>\$ 12,925</u>	<u>\$ 497,925</u>

Fiscal Year	Private placement loan			Private placement notes		
	Principal	Interest	Totals	Principal	Interest	Totals
2026	\$ 205,281	\$ 22,555	\$ 227,836	\$ 50,000	\$ 181,733	\$ 231,733
2027	211,069	16,767	227,836	535,000	170,939	705,939
2028	217,020	10,816	227,836	555,000	150,829	705,829
2029	222,902	4,697	227,599	580,000	129,889	709,889
2030	-	-	-	600,000	108,118	708,118
2031 - 2035	-	-	-	2,630,000	198,708	2,828,708
	<u>\$ 856,272</u>	<u>\$ 54,835</u>	<u>\$ 911,107</u>	<u>\$ 4,950,000</u>	<u>\$ 940,216</u>	<u>\$ 5,890,216</u>

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

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

	General Fund	Debt Service Fund	Capital Projects Fund	SSA Special Education	Nonmajor Governmental Funds	Total
Property Taxes	\$ 9,791,185	\$ 5,183,927	\$ -	\$ -	\$ -	\$ 14,975,112
Investment earnings	282,363	184,228	362,022	46,563	42,960	918,136
Revenue from other ISDs	-	-	-	1,011,084	-	1,011,084
Tuition	5,835	-	-	-	-	5,835
Rental income	31,350	-	-	-	-	31,350
Donations	4,862	-	-	-	-	4,862
Insurance recovery	45,819	-	-	-	-	45,819
Child nutrition	-	-	-	-	29,570	29,570
Athletics	45,773	-	-	-	-	45,773
Miscellaneous	32,492	-	100	1,026	3,904	37,522
	<u>\$ 10,239,679</u>	<u>\$ 5,368,155</u>	<u>\$ 362,122</u>	<u>\$ 1,058,673</u>	<u>\$ 76,434</u>	<u>\$ 17,105,063</u>

Note 9 - Pension Plan and Other Post-Employment Benefits

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule. There are no automatic postemployment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living-adjustment (COLA).

One-Time Stipends

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

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

Cost-of-Living Adjustment

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

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

Note 9 - Pension Plan and Other Post-Employment Benefits (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 this manner are determined by the System's actuary.

Contributions

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

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

Contribution Rates		
Plan Year Ended August 31,		
	2025	2024
Member	8.25%	8.25%
Non-employer contributing agency	8.25%	8.25%
Employers	8.25%	8.25%

Current Fiscal Year	
Contributions	
Employer (District)	\$612,331
Employee (Member)	1,410,794
Non-employer Contributing Entity	
On-behalf Contributions (State)	1,115,456

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

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

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

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

Contributions (continued)

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

- All public schools, charter schools, and regional education service centers must contribute 1.9% of the member's salary beginning in fiscal year 2024, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

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

Component	Result
Valuation Date	August 31, 2023, rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2024	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.
Last year ending August 31 in Projection Period	2123
(100 years)	
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023. For a full description of these assumptions please see the actuarial valuation report dated November 21, 2023.

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 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.

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

Discount Rate (continued)

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation²	Long-Term Expected Geometric Real Rate of Return³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.40%	1.00%
Non-U.S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity ¹	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Absolute Return ¹	0.00%	4.00%	0.00%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources & Infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity	8.00%	4.00%	0.40%
Asset Allocation Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag ⁴			-0.70%
Expected Return	<u>100.00%</u>		<u>7.90%</u>

¹ Absolute Return includes Credit Sensitive Investments.

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

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

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

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (7.00%) in measuring the Net pension liability:

	Discount Rate		
	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
District's proportional share of the net pension liability	\$ 13,211,034	\$ 8,271,095	\$ 4,178,004

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At August 31, 2025, the District reported a liability of \$8,271,095 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 8,271,095
State's proportionate share that is associated with the District	9,494,673
Total	<u><u>\$ 17,765,768</u></u>

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

At August 31, 2025, the employer's proportion of the collective net pension liability was 0.0135% which was an increase of 0.0011% from its proportion measured as of August 31, 2024.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

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

For the year ended August 31, 2025, the District recognized pension expense of \$1,226,923. The District also recognized on-behalf pension expense and revenue of \$1,134,772 for support provided by the State.

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

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 455,891	\$ (64,577)
Changes of assumption	427,054	(57,253)
Net difference between projected and actual earnings on pension plan investments	50,277	-
Changes in proportion and differences between District contributions and proportionate share of contributions	550,113	(283,276)
District contributions subsequent to the measurement date	612,331	-
Total	<u><u>\$ 2,095,666</u></u>	<u><u>\$ (405,106)</u></u>

The District recognized \$612,331 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2025. The other amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Pension Expense	Balance of Deferred Outflows (Inflows)
2026	\$ 56,299	\$ 1,021,930
2027	921,553	100,377
2028	134,422	(34,045)
2029	(132,731)	98,686
2030	98,686	-
	<u><u>\$ 1,078,229</u></u>	

Note 10 - Defined Other Post-Employment Benefit Plans

Plan Description

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

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

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

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

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

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

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2025. The following table shows contributions to the TRS-Care plan by type of contributor.

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

Contributions (continued)

	Contribution Rates	
	Plan Year Ended August 31,	
	2025	2024
Member	0.65%	0.65%
Non-employer contributing agency	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding	1.25%	1.25%

Current Fiscal Year	
Contributions	
Employer (District)	\$ 155,838
Employee (Member)	111,158
Non-employer Contributing Entity	
On-behalf Contributions (State)	308,946

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 hiring a TRS retiree, employers are required to pay TRS-Care, a monthly surcharge of \$535 per retiree.

Actuarial Assumptions

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

Component	Result
Valuation Date	August 31, 2023, rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	0.023
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases	2.95% to 8.95% including inflation
Healthcare Trend Rates	The initial medical trend rate was 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 years.
Election Rates	Normal Retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees: 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

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

Actuarial Assumptions (continued)

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024: (a) Rates of Mortality, (b) Rates of Retirement, (c) Rates of Termination, (d) Rates of Disability, (e) General Inflation, and (f) Wage Inflation.

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

Discount Rate

A single discount rate of 3.87% was used to measure the total OPEB liability. This was a decrease of 0.26% in the discount rate since the previous year. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate is the Bond Buyer's "20-Bond GO Index" as of August 31, 2024 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (3.87%) in measuring the net OPEB Liability.

	Discount Rate		
	1% Decrease	Current Rate	1% Increase
	2.87%	3.87%	4.87%
District's proportional share of the net OPEB liability	\$ 6,292,117	\$ 5,296,186	\$ 4,491,459

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

On August 31, 2025, the District reported a liability of \$5,296,186 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	\$ 5,296,186
State's proportionate share that is associated with the District	6,636,049
Total	<u><u>\$ 11,932,235</u></u>

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

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

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

On August 31, 2025, the District's proportion of the collective Net OPEB Liability was 0.0174% which was an increase of 0.0012% from its proportion measured as of August 31, 2024.

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

	Healthcare Cost Trend Rate		
	1% Decrease	Current Rate	1% Increase
District's proportional share of the net OPEB liability	\$ 4,312,957	\$ 5,296,186	\$ 6,577,431

Changes Since the Prior Actuarial Valuation

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

- The single discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.
- The tables used to model the impact of aging on the underlying claims were revised.

Changes of Benefit Terms Since the Prior Measurement Date

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

For the year ended August 31, 2025, the District recognized negative OPEB expense of \$560,222. The District also recognized negative on-behalf OPEB expense and revenue of \$862,564 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,015,101	\$ (2,643,084)
Changes of assumption	677,849	(1,728,084)
Net difference between projected and actual earnings on OPEB plan investments	-	(14,831)
Changes in proportion and differences between District contributions and proportionate share of contributions	927,727	(995,554)
District contributions subsequent to the measurement date	155,838	-
Total	\$ 2,776,515	\$ (5,381,553)

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

Changes of Benefit Terms Since the Prior Measurement Date (continued)

The District recognized \$155,838 as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the measurement year ending August 31, 2025. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	OPEB Expense Amount	Balance of Deferred Outflows (Inflows)
2026	\$ (698,075)	\$ (2,062,801)
2027	(458,204)	(1,604,597)
2028	(613,399)	(991,198)
2029	(576,370)	(414,828)
2030	(356,717)	(58,111)
Thereafter	(58,111)	-
	<u>\$ (2,760,876)</u>	

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2025, 2024, and 2023, the subsidy payments received by TRS-Care on-behalf of the District were \$122,770, \$92,074, and \$83,706, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 11 - Risk Management

Employee Health Care Coverage

During the year ended August 31, 2025, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$275 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a 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 the insurer is renewable September 1, 2025 and terms of coverage and premiums costs are included in the contractual provisions.

Note 11 - Risk Management (continued)

Workers' Compensation Insurance

During the year ended August 31, 2025, the District met its statutory workers' compensation obligations through participation in the Deep East Texas Self-Insurance Fund (the "Fund"). The District purchased workers' compensation coverage through the Fund, a public entity risk pool, which is self-sustained through member contributions. The Fund reinsured to statutory limits through commercial companies for claims in excess of \$850,000 for the 2024-2025 fiscal year. The Fund contracts with independent actuaries to determine the adequacy of reserves and fully funds those reserves. Members of the Fund have no known premium liabilities for workers' compensation coverage in excess of their contracted annual premium. However, if the assets of the Fund were to be exhausted, members would be liable for their portion of the Fund's liabilities. This would indicate that members would be contingently liable for the portion of the liability applicable to their political entity. Independent auditors conduct a financial audit at the close of each plan year and, as of the most recent audit, the Fund has adequate assets to cover more than 100% of all liabilities.

Unemployment Compensation

During the year ended August 31, 2025, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties. The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended August 31, 2025, the Fund anticipates that 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 at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Auto, Liability, and Property Programs

During the year ended August 31, 2025, the District participated in the following TASB Risk Management Fund (the "Fund") programs:: Auto Liability, Auto Physical Damage, Privacy and Information Security Property, and School Liability.

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2025, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2024, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Note 12 - Shared Service Arrangements (SSAs)

The District is the fiscal agent in a locally-funded SSA for Special Education (Fund 437) and a state-funded SSA for the innovative services for students with autism grant. The objective of the programs is to provide grants to assist in providing a free appropriate public education to all children with disabilities. All services are provided by the fiscal agent. The Special Education SSA is funded by the member districts and the School Health and Related Services (SHARS) program. The autism grant is funded by the State of Texas. The member districts and current revenues/expenditures of the SSAs are summarized below:

	Special Education		
	Revenues	Expenditures	Net
Member Districts:			
Danbury ISD	\$ 121,026	\$ 338,230	\$ (217,204)
Needville ISD	526,604	778,022	(251,418)
Damon ISD	31,159	84,385	(53,226)
Hitchcock ISD	332,295	469,078	(136,783)
Total Member Districts	\$ 1,011,084	\$ 1,669,715	\$ (658,631)

Note 13 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to not be material to the financial statements taken as a whole.

Note 14 - Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. The District has not conducted a formal assessment of their potential arbitrage liability as of August 31, 2025. Therefore, a long-term liability for arbitrage may exist that has not been reported.

Note 15 - Restatement to Beginning Fund Balances and Net Position

The District restated their fund balances as of September 1, 2024 as a result of errors identified during the audit. In addition, the Districted restated their beginning net position as a result of implementing GASB 101, *Compensated Absences*. Lastly, the District adjusted their beginning fund balances as a result of the SSA Special Education fund being classified as a major fund in fiscal year 2025.

	General Fund	Debt Service Fund	SSA Special Education	Nonmajor Governmental Funds	Total Governmental Funds	Governmental Activities
Net Position/Fund Balance - Beginning of Year, as Previously Presented	\$ 3,904,204	\$ 2,637,590	\$ -	\$ 2,298,733	\$ 23,376,331	\$ (266,988)
Restatements:						
Unidentified transactions as of 8/31/25	574,942	(76,304)	-	(751)	497,887	497,887
GASB 101, <i>Compensated Absences</i>	-	-	-	-	-	(321,609)
Adjustments:						
Nonmajor fund to major fund	-	-	755,372	(755,372)	-	-
Total restatements	574,942	(76,304)	755,372	(756,123)	497,887	176,278
Net Position/Fund Balance - Beginning of Year, as Restated	<u>\$ 4,479,146</u>	<u>\$ 2,561,286</u>	<u>755,372</u>	<u>\$ 1,542,610</u>	<u>\$ 23,874,218</u>	<u>\$ (90,710)</u>

Note 16 - Deficit Fund Balances

The General Fund had a deficit \$1,112,680 in unassigned fund balance as of August 31, 2025. The District plans to address the deficit in the future school year.

Note 17 - Subsequent Events

On October 7, 2025, the District Issued \$5,000,000 in private placement Tax and Revenue Anticipation Notes, Series 2025 (Taxable) for the purpose of paying maintenance expenses. The notes were issued with an interest rate of 5.450% and mature on August 17, 2026.

On January 15, 2026, S&P Global Ratings downgraded the underlying credit rating of the District from "A-" to "BBB-".

REQUIRED SUPPLEMENTARY INFORMATION



HITCHCOCK INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended August 31, 2025

Exhibit G-1

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Local, intermediate, and out-of-state	\$ 10,194,193	\$ 10,439,331	\$ 10,239,679	\$ (199,652)
State program revenues	9,343,654	8,643,654	11,255,470	2,611,816
Federal program revenues	162,097	212,097	181,255	(30,842)
Total Revenues	<u>19,699,944</u>	<u>19,295,082</u>	<u>21,676,404</u>	<u>2,381,322</u>
Expenditures				
Current:				
Instruction	10,561,216	11,898,739	10,605,825	1,292,914
Instruction resources and media services	194,000	194,000	179,657	14,343
Curriculum and instructional staff development	53,735	36,735	153,518	(116,783)
Instructional leadership	109,950	135,821	129,579	6,242
School leadership	1,049,700	1,131,494	1,158,842	(27,348)
Guidance, counseling and evaluation services	363,200	434,702	463,858	(29,156)
Social work services	200	200	-	200
Health services	432,300	382,300	319,599	62,701
Student transportation	1,341,253	1,342,594	1,140,555	202,039
Extracurricular activities	889,864	840,718	817,709	23,009
General administration	957,000	1,501,510	1,403,757	97,753
Plant maintenance and operations	2,328,802	3,406,930	3,154,863	252,067
Security and monitoring services	478,900	475,274	402,604	72,670
Data processing services	345,550	531,596	525,857	5,739
Debt service:				
Principal on long-term debt	-	249,371	249,371	-
Interest on long-term debt	-	211,841	204,904	6,937
Intergovernmental:				
Contracted instructional services	380,000	390,000	-	390,000
Payments related to shared services arrangement	23,000	28,000	420,568	(392,568)
Payments to juvenile justices programs	-	-	27,222	(27,222)
Other intergovernmental charges	128,000	137,000	130,084	6,916
Total Expenditures	<u>19,636,670</u>	<u>23,328,825</u>	<u>21,488,372</u>	<u>1,840,453</u>
Net change in fund balances	63,274	(4,033,743)	188,032	4,221,775
Fund Balance - Beginning, as Restated	<u>4,479,146</u>	<u>4,479,146</u>	<u>4,479,146</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 4,542,420</u>	<u>\$ 445,403</u>	<u>\$ 4,667,178</u>	<u>\$ 4,221,775</u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

A. Budgets and Budgetary Accounting

The District adopts annual appropriations type budgets for the General Fund, Child Nutrition Program Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level and amended as necessary when the Notices of Grant Awards are received. These grants are subject to Federal, State and locally imposed project length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund, Food Service Fund and Debt Service Fund during the fiscal year ended August 31, 2025.

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

The official school budget was prepared for adoption for budgeted governmental fund types by August 31, 2024. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

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

B. Expenditures in Excess of Appropriations

At the end of the current fiscal year, the District had the following expenditures exceeding appropriations for the legally adopted budgets:

	Final Budget	Actual	Variance with Final Budget
General Fund:			
Curriculum and instructional staff development	\$ 36,735	\$ 153,518	\$ (116,783)
School leadership	1,131,494	1,158,842	(27,348)
Guidance, counseling and evaluation services	434,702	463,858	(29,156)
Payments related to shared services arrangement	28,000	420,568	(392,568)
Payments to juvenile justices programs	-	27,222	(27,222)
Debt Service Fund:			
Interest on long-term debt	-	2,535,691	(2,535,691)
Bond issuance costs and fees	-	3,356	(3,356)

HITCHCOCK INDEPENDENT SCHOOL DISTRICT

Exhibit G-2

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TEACHER RETIREMENT SYSTEM OF TEXAS LAST TEN MEASUREMENT YEARS

	2024	2023	2022	2021	2020
District's proportion of the net pension liability	0.0135%	0.0124%	0.1291%	0.0133%	0.0131%
District's proportionate share of the net pension liability	\$ 8,271,095	\$ 8,485,034	\$ 7,666,732	\$ 3,390,566	\$ 7,005,467
State's proportionate share of the net pension liability associated with the District	9,494,673	10,825,313	9,838,075	4,254,600	9,012,106
Total	\$ 17,765,768	\$ 19,310,347	\$ 17,504,807	\$ 7,645,166	\$ 16,017,573
District's covered payroll (for Measurement Year)	\$ 17,138,854	\$ 15,558,822	\$ 15,135,070	\$ 14,434,665	\$ 14,036,182
District's proportionate share of the net pension liability (asset) as a percentage of covered payroll	48.26%	54.54%	50.66%	23.49%	49.91%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%	88.79%	75.54%
Plan's net pension liability as a percentage of covered payroll ¹	102.39%	122.32%	112.72%	51.08%	110.36%
	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0135%	0.0135%	0.0121%	0.0120%	0.0114%
District's proportionate share of the net pension liability	\$ 6,994,950	\$ 7,454,438	\$ 3,882,397	\$ 4,525,090	\$ 4,011,438
State's proportionate share of the net pension liability associated with the District	8,285,579	8,989,964	4,843,116	5,528,933	5,279,053
Total	\$ 15,280,529	\$ 16,444,402	\$ 8,725,513	\$ 10,054,023	\$ 9,290,491
District's covered payroll (for Measurement Year)	\$ 12,825,518	\$ 12,569,413	\$ 11,026,005	\$ 10,302,269	\$ 9,901,585
District's proportionate share of the net pension liability (asset) as a percentage of covered payroll	54.54%	59.31%	35.21%	43.92%	40.51%
Plan fiduciary net position as a percentage of the total pension liability	75.25%	73.34%	82.17%	78.00%	78.43%
Plan's net pension liability as a percentage of covered payroll ¹	114.93%	126.11%	75.93%	92.75%	91.94%

¹ Per Teacher Retirement System of Texas' Annual Comprehensive Financial Report

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS

Exhibit G-3

	2025	2024	2023	2022	2021
Contractually required contributions	\$ 612,331	\$ 762,917	\$ 634,778	\$ 601,923	\$ 568,179
Contributions in relation to the contractual required contributions	612,331	762,917	634,778	601,923	568,179
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 17,100,533	\$ 17,138,854	\$ 15,561,382	\$ 15,135,070	\$ 14,434,665
Contributions as a percentage of covered payroll	3.58%	4.45%	4.08%	3.98%	3.94%
	2020	2019	2018	2017	2016
Contractually required contributions	\$ 540,520	\$ 468,068	\$ 455,462	\$ 395,421	\$ 376,090
Contributions in relation to the contractual required contributions	540,520	468,068	455,462	395,421	376,090
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 14,036,182	\$ 12,825,518	\$ 12,569,413	\$ 11,026,005	\$ 10,302,269
Contributions as a percentage of covered payroll	3.85%	3.65%	3.62%	3.59%	3.65%

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION

Measurement	
Year	Changes
2017	None
2018	The discount rate changed from 8.0% as of August 31, 2017 to a blended rate of 6.907% as of August 31, 2018. The long-term assumed rate of return changed from 8.0% as of August 31, 2017 to 7.25% as of August 31, 2018. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
2019	None
2020	The state and employer contribution rate changed from 6.8% to 7.5%. The 1.5% public education employer contribution applied to just employers whose employees were not covered by OASDI in 2019 and it changed in 2020 to apply to all public schools, charter schools and regional education centers irrespective of participation in OASDI.
2021	The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.
2022	The discount rate changed from 7.25% to 7.00%.
2023	None
2024	None

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

	2024	2023	2022	2021
District's proportion of the net liability for OPEB	0.0174%	0.0162%	0.0176%	0.0184%
District's proportionate share of net OPEB liability	\$ 5,296,186	\$ 3,594,140	\$ 5,211,201	\$ 7,113,168
State's proportionate share of the net OPEB liability associated with the District	6,636,049	4,336,883	5,137,004	9,530,059
Total	\$ 11,932,235	\$ 7,931,023	\$ 10,348,205	\$ 16,643,227
District's covered payroll	\$ 17,138,854	\$ 15,558,822	\$ 15,135,070	\$ 14,434,665
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	30.90%	23.10%	34.43%	49.28%
Plan fiduciary net position as a percentage of the total OPEB liability ¹	13.70%	14.94%	11.52%	6.18%
Plan's net OPEB liability as a percentage of covered payroll ¹	67.98%	51.86%	59.10%	100.13%
	2020	2019	2018	2017
District's proportion of the net liability for OPEB	0.0185%	0.0187%	0.0177%	0.0164%
District's proportionate share of net OPEB liability	\$ 7,027,538	\$ 8,825,655	\$ 8,814,705	\$ 7,141,549
State's proportionate share of the net OPEB liability associated with the District	9,443,326	11,727,318	9,513,840	7,559,240
Total	\$ 16,470,864	\$ 20,552,973	\$ 18,328,545	\$ 14,700,789
District's covered payroll	\$ 14,036,182	\$ 12,825,518	\$ 12,569,413	\$ 11,026,005
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	50.07%	68.81%	70.13%	64.77%
Plan fiduciary net position as a percentage of the total OPEB liability ¹	4.99%	2.66%	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll ¹	101.46%	135.21%	146.64%	132.55%

¹ Per Teacher Retirement System of Texas' Annual Comprehensive Financial Report

Note: Ten years of data should be presented in this schedule but data is unavailable prior to fiscal year 2018. The amounts are presented for each Plan year which ends the preceding August 31 of the District's fiscal year. Net OPEB liability is calculated in accordance with GASB 75.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST EIGHT FISCAL YEARS

Exhibit G-5

	2025	2024	2023	2022
Contractually required contributions	\$ 155,838	\$ 158,234	\$ 140,859	\$ 144,455
Contributions in relation to the contractual required contributions	155,838	158,234	140,859	144,455
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 17,100,533	\$ 17,138,854	\$ 15,561,382	\$ 15,135,070
Contributions as a percentage of covered payroll	0.91%	0.92%	0.91%	0.95%

	2021	2020	2019	2018
Contractually required contributions	\$ 144,063	\$ 140,583	\$ 131,456	\$ 120,230
Contributions in relation to the contractual required contributions	144,063	140,583	131,456	120,230
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 14,434,665	\$ 14,036,182	\$ 12,825,518	\$ 12,569,413
Contributions as a percentage of covered payroll	1.00%	1.00%	1.02%	0.96%

Note: Ten years of data should be presented in this schedule but data is unavailable prior to fiscal year 2018.
Net OPEB liability is calculated in accordance with GASB 75.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB

Measurement Year	Discount Rate	Other Changes
2017	3.42%	Updated the health care trend rate assumption, and revised demographic and economic assumptions based on the TRS experience study.
2018	3.69%	Lowered the participation rates and updated the health care trend rate assumption.
2019	2.63%	Lowered the participation rate assumption for employees who retire after the age of 65, and lowered the ultimate health care trend rate assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.
2020	2.33%	Lowered the participation rate assumption for employees who retire after the age of 65, and lowered the ultimate health care trend rate assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.
2021	1.95%	N/A
2022	3.91%	Lowered the participation rates, and updated the healthcare trend rate assumption.
2023	4.13%	Revised demographic and economic assumptions based on the TRS experience study.
2024	3.87%	The tables used to model the impact of aging on the underlying claims were revised.

OTHER SUPPLEMENTARY INFORMATION

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 1 of 6

Data Control Codes		205	206	211	240
		Head Start	ESEA Title X Part C	ESEA Title I Part A	National School Breakfast and Lunch Program
	Assets				
1110	Cash and cash equivalents	\$ 79,511	\$ -	\$ -	\$ 1,034,590
	Receivables:				
1240	Due from other governments	229,672	-	22,348	155,634
1260	Due from other funds	-	-	-	963,083
1000	Total Assets	<u>\$ 309,183</u>	<u>\$ -</u>	<u>\$ 22,348</u>	<u>\$ 2,153,307</u>
	Liabilities:				
2110	Accounts payable	\$ 13,685	\$ -	\$ -	\$ 101,671
2160	Accrued wages payable	76,330	-	22,348	-
2170	Due to other funds	219,168	-	-	-
2180	Due to other governments	-	-	-	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>309,183</u>	<u>-</u>	<u>22,348</u>	<u>101,671</u>
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	-	-	-	2,051,636
	Committed:				
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,051,636</u>
4000	Total Liabilities and Fund Balances	<u>\$ 309,183</u>	<u>\$ -</u>	<u>\$ 22,348</u>	<u>\$ 2,153,307</u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 2 of 6

		244	255	263	282
Data Control Codes		Career and Technical Basic			
		Grant	Title II Part A	Title III Part A	ESSER III
	Assets				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
	Receivables:				
1240	Due from other governments	-	99	-	-
1260	Due from other funds	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 99</u>	<u>\$ -</u>	<u>\$ -</u>
	Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	99	-	-
2180	Due to other governments	-	-	-	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>99</u>	<u>-</u>	<u>-</u>
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	-	-	-	-
	Committed:				
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 99</u>	<u>\$ -</u>	<u>\$ -</u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 3 of 6

		289	313	314	315
Data Control Codes		Teacher Incentive	SSA IDEA - Part B Formula	SSA IDEA - Part B Preschool	SSA IDEA - Part B Discretionary
Assets					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
	Receivables:				
1240	Due from other governments	27,320	26,871	21,439	-
1260	Due from other funds	-	22,458	-	-
1000	Total Assets	<u>\$ 27,320</u>	<u>\$ 49,329</u>	<u>\$ 21,439</u>	<u>\$ -</u>
Liabilities:					
2110	Accounts payable	\$ -	\$ 9,951	\$ -	\$ -
2160	Accrued wages payable	3,866	26,871	-	-
2170	Due to other funds	23,454	-	21,439	-
2180	Due to other governments	-	-	-	-
2300	Unearned revenues	-	12,507	-	-
2000	Total Liabilities	<u>27,320</u>	<u>49,329</u>	<u>21,439</u>	<u>-</u>
Fund Balances:					
	Restricted:				
3450	Grant restrictions	-	-	-	-
	Committed:				
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 27,320</u>	<u>\$ 49,329</u>	<u>\$ 21,439</u>	<u>\$ -</u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 4 of 6

		410	424	429	437
Data Control Codes		Instructional Material	Truancy Grant	Fiscal Support Grant	SSA Special Education
Assets					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
	Receivables:				
1240	Due from other governments	-	25,090	-	-
1260	Due from other funds	84,267	-	5,478	-
1000	Total Assets	<u>\$ 84,267</u>	<u>\$ 25,090</u>	<u>\$ 5,478</u>	<u>\$ -</u>
Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	5,263	-	-
2170	Due to other funds	-	19,827	-	-
2180	Due to other governments	-	-	-	-
2300	Unearned revenues	84,267	-	5,478	-
2000	Total Liabilities	<u>84,267</u>	<u>25,090</u>	<u>5,478</u>	<u>-</u>
Fund Balances:					
	Restricted:				
3450	Grant restrictions	-	-	-	-
	Committed:				
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 84,267</u>	<u>\$ 25,090</u>	<u>\$ 5,478</u>	<u>\$ -</u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 5 of 6

		459	465	480	482
Data Control Codes		Special Education Coop -			
		Autism	Campus Activity Fund	Education Grant	Region IV Grant
	Assets				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
	Receivables:				
1240	Due from other governments	-	-	-	-
1260	Due from other funds	-	4,308	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 4,308</u>	<u>\$ -</u>	<u>\$ -</u>
	Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	-	-	-
2180	Due to other governments	-	-	-	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	-	-	-	-
	Committed:				
3545	Other purposes	-	4,308	-	-
3000	Total Fund Balances	<u>-</u>	<u>4,308</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 4,308</u>	<u>\$ -</u>	<u>\$ -</u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 6 of 6

484

Data Control Codes		Total Nonmajor Governmental	
		NRA Grant	Funds
	Assets		
1110	Cash and cash equivalents	\$ -	\$ 1,114,101
	Receivables:		
1240	Due from other governments	-	508,473
1260	Due from other funds	-	1,079,594
1000	Total Assets	<u>\$ -</u>	<u>\$ 2,702,168</u>
	Liabilities:		
2110	Accounts payable	\$ -	\$ 125,307
2160	Accrued wages payable	-	134,678
2170	Due to other funds	-	283,987
2180	Due to other governments	-	-
2300	Unearned revenues	-	102,252
2000	Total Liabilities	<u>-</u>	<u>646,224</u>
	Fund Balances:		
	Restricted:		
3450	Grant restrictions	-	2,051,636
	Committed:		
3545	Other purposes	-	4,308
3000	Total Fund Balances	<u>-</u>	<u>2,055,944</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 2,702,168</u>

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

Exhibit H-2

Page 1 of 6

		205	206	211	240
Data Control Codes		Head Start	ESEA Title X Part C	ESEA Title I Part A	National School Breakfast and Lunch Program
	Revenues				
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ 72,530
5800	State program revenues	-	-	-	5,242
5900	Federal program revenues	1,839,712	25,938	537,296	2,146,433
5020	Total Revenues	<u>1,839,712</u>	<u>25,938</u>	<u>537,296</u>	<u>2,224,205</u>
	Expenditures				
	Current:				
0011	Instruction	1,027,945	-	412,885	-
0013	Curriculum and staff development	89,169	-	493	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	230,755	-	-	-
0031	Guidance, counseling and evaluation services	29,706	-	123,918	-
0032	Social work services	94,281	-	-	-
0033	Health services	99,083	-	-	-
0034	Student transportation	33,503	-	-	-
0035	Food service	39,110	-	-	1,710,181
0036	Extracurricular activities	-	-	-	-
0041	General administration	17,340	-	-	-
0051	Plant maintenance and operations	118,027	-	-	-
0052	Security and monitoring services	2,499	-	-	-
0053	Data processing services	9,520	-	-	-
0061	Community services	48,774	25,938	-	-
6030	Total Expenditures	<u>1,839,712</u>	<u>25,938</u>	<u>537,296</u>	<u>1,710,181</u>
1200	Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>514,024</u>
0100	Fund Balance - Beginning of Year, as Previously Presented	-	-	-	1,537,612
1300	Restatements	-	-	-	-
	Adjustments	-	-	-	-
	Fund Balance - Beginning of Year, as Restated/Adjusted	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,537,612</u>
3000	Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,051,636</u>

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

Exhibit H-2

Page 2 of 6

		244	255	263	282
Data Control Codes	Career and Technical Basic Grant	Title II Part A	Title III Part A	ESSER III	
Revenues					
5700 Local and intermediate sources	\$ -	\$ -	\$ -	\$ -	
5800 State program revenues	-	-	-	-	
5900 Federal program revenues	6,072	90,898	8,665	24,644	
5020 Total Revenues	6,072	90,898	8,665	24,644	
Expenditures					
Current:					
0011 Instruction	6,072	31,140	8,665	4,819	
0013 Curriculum and staff development	-	59,758	-	-	
0021 Instructional leadership	-	-	-	-	
0023 School leadership	-	-	-	-	
0031 Guidance, counseling and evaluation services	-	-	-	-	
0032 Social work services	-	-	-	-	
0033 Health services	-	-	-	-	
0034 Student transportation	-	-	-	387	
0035 Food service	-	-	-	-	
0036 Extracurricular activities	-	-	-	-	
0041 General administration	-	-	-	-	
0051 Plant maintenance and operations	-	-	-	-	
0052 Security and monitoring services	-	-	-	-	
0053 Data processing services	-	-	-	19,438	
0061 Community services	-	-	-	-	
6030 Total Expenditures	6,072	90,898	8,665	24,644	
1200 Net change in fund balances	-	-	-	-	
0100 Fund Balance - Beginning of Year, as Previously Presented	-	-	-	-	
1300 Restatements	-	-	-	-	
Adjustments	-	-	-	-	
Fund Balance - Beginning of Year, as Restated/Adjusted	-	-	-	-	
3000 Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -	

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

Exhibit H-2

Page 3 of 6

		289	313	314	315
Data Control Codes		Teacher Incentive	SSA IDEA - Part B Formula	SSA IDEA - Part B Preschool	SSA IDEA - Part B Discretionary
Revenues					
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	74,767	1,276,632	26,196	133,594
5020	Total Revenues	<u>74,767</u>	<u>1,276,632</u>	<u>26,196</u>	<u>133,594</u>
Expenditures					
Current:					
0011	Instruction	53,990	17,204	-	133,594
0013	Curriculum and staff development	-	-	-	-
0021	Instructional leadership	15,547	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	1,259,428	26,196	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	2,652	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	2,578	-	-	-
6030	Total Expenditures	<u>74,767</u>	<u>1,276,632</u>	<u>26,196</u>	<u>133,594</u>
1200	Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
0100	Fund Balance - Beginning of Year, as Previously Presented	-	-	-	-
1300	Restatements	-	-	-	-
	Adjustments	-	-	-	-
	Fund Balance - Beginning of Year, as Restated/Adjusted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Exhibit H-2

Page 4 of 6

		410	424	429	437
Data					
Control					
Codes					
		Instructional		Fiscal Support	SSA Special
		Material	Truancy Grant	Grant	Education
	Revenues				
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	76,451	43,464	140,050	-
5900	Federal program revenues	-	-	-	-
5020	Total Revenues	76,451	43,464	140,050	-
	Expenditures				
	Current:				
0011	Instruction	76,451	-	-	-
0013	Curriculum and staff development	-	-	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-	-
0032	Social work services	-	43,464	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	140,050	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
6030	Total Expenditures	76,451	43,464	140,050	-
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - Beginning of Year, as Previously Presented	-	-	-	755,372
1300	Restatements	-	-	-	-
	Adjustments	-	-	-	(755,372)
	Fund Balance - Beginning of Year, as Restated/Adjusted	-	-	-	-
3000	Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -

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

Exhibit H-2

Page 5 of 6

		459	465	480	482
Data Control Codes		Special Education Coop - Autism	Campus Activity Fund	Education Grant	Region IV Grant
	Revenues				
5700	Local and intermediate sources	\$ -	\$ 2,404	\$ -	\$ -
5800	State program revenues	-	-	-	1,579
5900	Federal program revenues	-	-	-	-
5020	Total Revenues	<u>-</u>	<u>2,404</u>	<u>-</u>	<u>1,579</u>
	Expenditures				
	Current:				
0011	Instruction	-	-	102	1,579
0013	Curriculum and staff development	-	-	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	2,992	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
6030	Total Expenditures	<u>-</u>	<u>-</u>	<u>3,094</u>	<u>1,579</u>
1200	Net change in fund balances	<u>-</u>	<u>2,404</u>	<u>(3,094)</u>	<u>-</u>
0100	Fund Balance - Beginning of Year, as Previously Presented	751	1,904	3,094	-
1300	Restatements	(751)	-	-	-
	Adjustments	-	-	-	-
	Fund Balance - Beginning of Year, as Restated/Adjusted	<u>-</u>	<u>1,904</u>	<u>3,094</u>	<u>-</u>
3000	Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 4,308</u>	<u>\$ -</u>	<u>\$ -</u>

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

Exhibit H-2

Page 6 of 6

484

Data Control Codes		NRA Grant	Total Nonmajor Governmental Funds
Revenues			
5700	Local and intermediate sources	\$ 1,500	\$ 76,434
5800	State program revenues	-	266,786
5900	Federal program revenues	-	6,190,847
5020	Total Revenues	1,500	6,534,067
Expenditures			
Current:			
0011	Instruction	-	1,774,446
0013	Curriculum and staff development	-	149,420
0021	Instructional leadership	-	15,547
0023	School leadership	-	230,755
0031	Guidance, counseling and evaluation services	-	1,439,248
0032	Social work services	-	137,745
0033	Health services	-	99,083
0034	Student transportation	-	33,890
0035	Food service	-	1,749,291
0036	Extracurricular activities	-	2,992
0041	General administration	-	17,340
0051	Plant maintenance and operations	-	118,027
0052	Security and monitoring services	1,500	146,701
0053	Data processing services	-	28,958
0061	Community services	-	77,290
6030	Total Expenditures	1,500	6,020,733
1200	Net change in fund balances	-	513,334
0100	Fund Balance - Beginning of Year, as Previously Presented	-	2,298,733
1300	Restatements	-	(751)
	Adjustments	-	(755,372)
	Fund Balance - Beginning of Year, as Restated/Adjusted	-	1,542,610
3000	Fund Balance - End of Year	\$ -	\$ 2,055,944



REQUIRED TEA SCHEDULES



HITCHCOCK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2025

Exhibit J-1

	1	2	3	10	20	31	32	40	50	99
	Tax Rates		Net Assessed/Appraised	Beginning	Current	Maintenance	Debt Service	Entire	Ending	Total Taxes
Last Ten	Maintenance	Debt Service	Value For School	Balance	Year's	Total	Total	Year's	Balance	Refunded Under
Fiscal Years			Tax Purposes	9/1/24	Total Levy	Collections	Collections	Adjustments	8/31/25	Section 26.1115(c)
2016 and prior	Various	Various	Various	\$ 243,566		\$ 6,090	\$ 2,096	\$ (17,946)	\$ 217,434	
2017	\$1.0400	\$0.5000	\$598,722,721	37,160		2,029	976	(91)	34,064	
2018	1.0400	0.4800	658,096,551	49,079		1,540	711	(90)	46,738	
2019	1.0400	0.4800	691,492,418	43,472		1,329	614	(89)	41,440	
2020	0.9700	0.4100	789,766,394	54,910		2,224	940	(82)	51,664	
2021	0.9364	0.2000	871,446,312	57,800		4,789	1,023	38	52,026	
2022	0.8720	0.2000	1,063,438,246	90,129		8,109	1,860	24	80,184	
2023	0.8046	0.4000	1,211,516,935	158,006		19,795	9,841	(7,190)	121,180	
2024	0.6692	0.4000	1,241,697,531	358,560		72,033	43,056	(91,344)	152,127	
2025	0.6969	0.3700	1,405,503,046	-	\$ 14,995,312	9,540,135	5,065,074	-	390,103	
1000 Totals				<u>\$ 1,092,682</u>	<u>\$ 14,995,312</u>	<u>\$ 9,658,073</u>	<u>\$ 5,126,191</u>	<u>\$ (116,770)</u>	<u>1,186,960</u>	
Total Taxes Receivable Per Exhibit C-1									<u>\$ 1,186,960</u>	
8000 Taxes Refunded										<u>\$ -</u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION PROGRAM FUND
For the Year Ended August 31, 2025

Exhibit J-2

Data Control Codes		Budgeted Amounts			Variance with Final Budget
		Original	Final	Actual	
	Revenues				
5700	Local, intermediate, and out-of-state	\$ 31,350	\$ 31,350	\$ 72,530	\$ 41,180
5800	State program revenues	-	-	5,242	5,242
5900	Federal program revenues	1,914,228	1,914,228	2,146,433	232,205
5020	Total Revenues	<u>1,945,578</u>	<u>1,945,578</u>	<u>2,224,205</u>	<u>278,627</u>
	Expenditures				
	Current:				
0035	Food service	1,864,429	1,864,429	1,710,181	154,248
6030	Total Expenditures	<u>1,864,429</u>	<u>1,864,429</u>	<u>1,710,181</u>	<u>154,248</u>
1200	Net change in fund balances	81,149	81,149	514,024	432,875
0100	Fund Balance - Beginning	<u>1,537,612</u>	<u>1,537,612</u>	<u>1,537,612</u>	-
3000	Fund Balance - Ending	<u>\$ 1,618,761</u>	<u>\$ 1,618,761</u>	<u>\$ 2,051,636</u>	<u>\$ 432,875</u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Year Ended August 31, 2025

Exhibit J-3

Data Control Codes		Budgeted Amounts			Variance with Final Budget
		Original	Final	Actual	
	Revenues				
5700	Local, intermediate, and out-of-state	\$ 5,317,160	\$ 5,317,160	\$ 5,368,155	\$ 50,995
5800	State program revenues	300,000	300,000	616,880	316,880
5900	Federal program revenues	-	-	26,907	26,907
5020	Total Revenues	<u>5,617,160</u>	<u>5,617,160</u>	<u>6,011,942</u>	<u>394,782</u>
	Expenditures				
	Debt Service:				
0071	Principal on long-term debt	4,537,811	4,537,811	2,275,000	2,262,811
0072	Interest on long-term debt	-	-	2,535,691	(2,535,691)
0073	Bond issuance costs and fees	-	-	3,356	(3,356)
6030	Total Expenditures	<u>4,537,811</u>	<u>4,537,811</u>	<u>4,814,047</u>	<u>(276,236)</u>
1200	Net change in fund balances	1,079,349	1,079,349	1,197,895	118,546
0100	Fund Balance - Beginning, as Restated	<u>2,561,286</u>	<u>2,561,286</u>	<u>2,561,286</u>	-
3000	Fund Balance - Ending	<u>\$ 3,640,635</u>	<u>\$ 3,640,635</u>	<u>\$ 3,759,181</u>	<u>\$ 118,546</u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT*Exhibit J-4***COMPENSATORY EDUCATION PROGRAM AND BILINGUAL EDUCATION PROGRAM COMPLIANCE RESPONSES***For the Year Ended August 31, 2025*

Data Codes	Section A: Compensatory Education Programs	Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 2,308,540
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30)	\$ 1,470,578
Section B: Bilingual Education Programs		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 82,978
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC 25)	\$ 137,016

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
For the Year Ended August 31, 2025

Exhibit L-1

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
	(If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 3,165,075
NOTE:	This schedule is to be included as part of the annual financial audit report (AFR) submission on the required due date and published as a part of the school district's AFR. This schedule should be submitted in the data feed file and submitted as an Adobe Acrobat portable document file (pdf).	



FEDERAL AWARDS SECTION



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

To the Board of Trustees
Hitchcock Independent School District

We were engaged to 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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hitchcock Independent School District (the "District") as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 23, 2026.

Report on Internal Control over Financial Reporting

In connection with our engagement to audit 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

In connection with our engagement to audit the financial statements of the District, 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 engagement, 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*.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our engagement and described in the Schedule of Findings or Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Whitley Penn LLP

Houston, Texas
March 23, 2026

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

To the Board of Trustees
Hitchcock Independent School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2025-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-003 to be a significant deficiency.

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

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

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

Houston, Texas
March 23, 2026

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2025

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	None reported
Significant deficiencies identified that are not considered to be material weaknesses?	Yes (2025-001 and 2025-002)
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	None reported
Significant deficiencies identified that are not considered to be material weaknesses?	Yes (2025-003)
Type of auditors' report issued on compliance with major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	Yes (2025-003)

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number (ALN)</u>
Child and Adult Care Food Program	10.558
Child Nutrition Cluster	10.553, 10.555, 10.582
Special Education Cluster	84.027, 84.173
Head Start Cluster	93.600

Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
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Auditee qualified as low risk auditee?	No
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HITCHCOCK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2025

II. Financial Statement Findings

2025-001	Bank Reconciliations
Type of Finding	Significant Deficiency in Internal Control over Financial Reporting
New or Repeat Finding	Repeat; see prior year finding #2024-001.
Criteria	Effective internal control over financial reporting requires that management perform timely and complete reconciliations of all cash accounts to detect and correct errors or irregularities. Bank reconciliations are a critical control to ensure the accuracy of recorded cash balances.
Condition	The District's bank reconciliations were up-to-date through August 31, 2025, but the reconciliations contained immaterial unreconciled differences.
Cause	During fiscal year 2024, the district experienced turnover in key finance department positions during the year, implemented a new financial software system, and switched bank depositories. These combined factors disrupted normal operations, caused delays in setting up new reconciliation processes, and limited staff's ability to maintain the regular monthly bank reconciliation process while adjusting to new system workflows, bank accounts, and responsibilities. The District hired qualified personnel during fiscal year 2025 and implemented procedures to perform timely bank reconciliations. However, certain discrepancies were challenging to fully resolve as a result of the matters occurring in the previous fiscal year.
Effect or Potential Effect	There is an increased risk that misstatements in cash balances could occur and not be detected or corrected timely. This risk is heightened because the district maintains multiple accounts containing restricted balances designated for specific purposes (such as debt service, capital projects, or federal programs). Failure to reconcile these accounts could result in improper use or misstatement of restricted funds, potentially leading to noncompliance with legal, grant, or bond covenant requirements, in addition to misstated financial reporting.
Recommendation	We recommend that the district continue to implement the newly established formal procedures to ensure bank reconciliations are prepared monthly by qualified personnel, reviewed by a supervisor, and that reconciling items are promptly investigated and resolved.
Views of Responsible Officials	District officials agree with the finding. The District will continue to implement the newly established formal procedures to ensure that reconciling items are promptly investigated and resolved.

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

II. Financial Statement Findings (continued)

2025-002	Financial Close and Reporting
Type of Finding	Significant Deficiency in Internal Control over Financial Reporting
New or Repeat Finding	Repeat; see prior year finding #2024-003.
Criteria	Effective internal control over financial reporting requires management to maintain accurate subsidiary records, perform timely reconciliations, and conduct supervisory review to ensure the trial balance reflects complete and accurate account balances in accordance with generally accepted accounting principles (GAAP) prior to financial statement preparation.
Condition	The District lacked effective internal controls to ensure the trial balance was properly reconciled at year-end. Auditors identified certain areas that required adjustment, including the unrecorded capital asset additions, disposals, and depreciation; corrections required as a result of investigating unreconciled amounts on the bank reconciliations; unadjusted property tax receivables and allowance accounts; unrecorded accounts payable accruals, including retainage payable; and misstated amounts on the schedule of expenditures of federal awards. These issues resulted in multiple audit adjustments that the District posted to their records.
Cause	During fiscal year 2024, the District experienced turnover in key finance department positions during the year, implemented a new financial software system, and switched bank depositories. These combined factors disrupted normal operations, caused delays in setting up new reconciliation processes, and limited staff's ability to maintain the regular monthly bank reconciliation process while adjusting to new system workflows, bank accounts, and responsibilities. The District hired qualified personnel during fiscal year 2025 and implemented procedures to perform timely reconciliations and year-end closing procedures. However, certain areas were challenging to fully resolve as a result of the matters occurring in the previous fiscal year.
Effect or Potential Effect	There is a heightened risk that misstatements could occur and remain undetected, impacting the accuracy of the District's financial statements across numerous areas, including governmental fund balances, capital assets, receivables, payables, and accruals. The lack of reconciliations increases the risk of misreporting restricted or committed funds, misstating grant receivables, violating legal or contractual obligations, and presenting misstated financial reports to stakeholders.
Recommendation	We recommend the District continue to develop and implement newly established year-end closing processes that outlines clear written procedures for reconciling all significant accounts to supporting records. Responsibilities should be assigned to qualified personnel, and a comprehensive closing checklist with defined timelines and required documentation should be established. Staff should receive adequate training on best practices for account reconciliation and financial reporting. All key reconciliations and closing entries should be subject to supervisory review and approval prior to financial statement preparation.
Views of Responsible Officials	District officials agree with the finding. The District will continue to implement the newly established year-end closing processes and provide training to staff.

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

III. Federal Awards Findings and Questioned Costs

2025-003	Time & Effort and Semi-Annual Certifications
Type of Finding	Significant Deficiency in Internal Control Over Compliance
New or Repeat Finding	Repeat; see prior year finding #2024-007.
Federal Program	Special Education Cluster (ALNs 84.027, 84.173); Head Start Cluster (ALN 93.600)
Federal Agency	U.S. Department of Education (Special Education Cluster); U.S. Department of Health and Human Services (Head Start Cluster)
Pass-through Entity(ies)	Special Education Cluster - Texas Education Agency (246600010849086600, 256600010849086600, 246610010849086610, 256610010849086610, 66002406); Head Start Cluster - N/A
Compliance Requirement Criteria	B - Allowable Costs / Costs Principles Under 2 CFR 200.430(g), when employees work solely on a single federal award or cost objective, charges for their salaries must be supported by a system of internal control that provides reasonable assurance that the charges are accurate, allowable, and properly allocated. One allowable method is through completion of semi-annual certifications signed by the employee or a supervisory official with firsthand knowledge. These certifications provide assurance that salary costs charged to the federal program reflects the total activity for which the employee is compensated by the District, not exceeding 100% of compensated activities.
Condition	The District was not able to provide in a timely manner the required time & effort and semi-annual certifications for employees who worked on the Special Education and Head Start clusters. These certifications, which confirm that the employee worked 100% on the program for the period covered, were not completed timely, but were ultimately provided prior to conclusion of the audit.
Cause	The District was in the process of implementing the corrective action plan from the previous fiscal year's audit, which consisted of procedures to ensure the forms were prepared, signed, and retained in accordance with federal requirements.
Effect or Potential Effect	Without semi-annual certifications, the District would lack the required documentation to fully support salary costs charged to the grant. This raises the risk that unallowable or unsupported personnel costs were charged to the program, even if employees were appropriately assigned.
Questioned Costs	No questioned costs were identified, as the District ultimately provided audit evidence to support the time worked on the grant. In addition, the personnel records of the employees sampled contained approval of the employee to be hired into the appropriate job duties to be funded by their appropriate grant-funded position.
Context	The District was unable to provide timely the required semi-annual certifications for 2 out of 5 employees selected in our sample for testing for the Special Education Cluster. The District was unable to provide timely the required semi-annual certifications for 39 out of 39 employees selected in our sample for testing for the Special Education Cluster. Ultimately, semi-annual certifications were provided for all employees in our sample that remained charged to their respective grant for fiscal year 2025.
Recommendation	We recommend that the District continue to implement procedures to ensure that semi-annual certifications are prepared, signed, and retained for all employees working solely on federal programs. The District should provide training to finance and program staff to ensure continued compliance with federal documentation requirements.
Views of Responsible Officials	District officials agree with the finding. The District has implemented new procedures in fiscal year 2026 to ensure semi-annual certifications are completed appropriately.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2025

Exhibit K-1

Fund Code	(1) Federal Grantor / Pass-Through Grantor / Program Title	(2) ALN	(3) Pass Through Entity Identifying Number	(4) Federal Expenditures
U.S. Department of Agriculture				
240	Passed Through Texas Department of Agriculture: <i>Child and Adult Care Food Program</i> <i>Child Nutrition Cluster:</i>	10.558	NT4XL1YGLGC5	\$ 805,735
240	Passed Through Texas Department of Agriculture: <i>Fresh Fruit & Vegetable Program</i>	10.582	NT4XL1YGLGC5	43,150
240	Passed Through Texas Education Agency: <i>National School Breakfast Program</i>	10.553	71402501	341,774
240	<i>National School Breakfast Program - SSO</i>	10.553	71402501	6,001
240	<i>National School Lunch Program</i>	10.555	71302501	938,582
240	<i>National School Lunch Program - SSO</i>	10.555	71302501	11,191
	<i>Total Child Nutrition Cluster (ALN 10.553, 10.555, 10.582)</i>			<u>1,340,698</u>
Total U.S. Department of Agriculture				<u>2,146,433</u>
U.S. Department of Education				
211	Passed Through Texas Education Agency: <i>ESEA, Title I, Part A - Improving Basic Programs</i>	84.010A	25610101084908	543,007
313	<i>IDEA, Part B - Formula</i>	84.027A	256600010849086600	1,278,741
313	<i>IDEA, Part B - Formula</i>	84.027A	246600010849086600	20,140
314	<i>IDEA, Part B - Preschool</i>	84.173A	246610010849086610	1,065
314	<i>IDEA, Part B - Preschool</i>	84.173A	256610010849086610	25,449
315	<i>IDEA, Part B - High Cost Fund</i>	84.027A	66002406	133,594
	<i>Total Special Education Cluster (ALN 84.027, 84.173)</i>			<u>1,458,989</u>
244	Passed Through Texas Education Agency: <i>23-24 Perkins V: Strengthening CTE for 21st Century</i>	84.048A	26420006084908	6,417
206	<i>2024-2025 Texas Education For Homeless Children & Youth</i>	84.196A	254600057110045	26,444
255	<i>Title II, Part A - Supporting Effective Instruction</i>	84.367A	25694501084908	92,019
263	<i>Title III, Part A - ELA</i>	84.367A	25671001084908	8,829
	<i>Total ALN 84.367</i>			<u>100,848</u>
289	<i>Title IV, Part A, Subpart 1, Student Support and Academic Enrichment</i>	84.424A	25680101084908	75,775
282	<i>COVID-19 - ARP ESSER III</i>	84.425U	21528001084908	24,644
Total U.S. Department of Education				<u>2,236,124</u>
U.S. Department of Health and Human Services				
205	Direct: <i>Head Start</i>	93.600	06CH010636	1,866,667
	<i>Total Head Start Cluster (ALN 93.600)</i>			<u>1,866,667</u>
Total U.S. Department of Health and Human Services				<u>1,866,667</u>
Total Expenditures of Federal Awards				<u>\$ 6,249,224</u>

Note 1 - Summary of Significant Accounting Policies

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

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods. All federal grants are subject to review by the grantor agencies. Any expenditures identified by the grantor agencies as disallowed could require reimbursement to the grantor agency from the District's general fund.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2025. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards ("SEFA") and expenditures reported on the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds:

Total Expenditures of Federal Awards - Exhibit K-1	\$ 6,249,224
Medicaid SHARS (Fund 199)	122,878
Medicaid SHARS (Fund 437)	367,748
IRS Subsidy	26,907
Total Federal Revenue - Exhibit C-2	<u><u>\$ 6,766,757</u></u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2025

Exhibit K-2
Page 2 of 2

Note 4 - General Fund Expenditures

Federal awards reported in the general fund are summarized as follows:

Federal Revenue Accounted for in General Fund:	
Medicaid SHARS	\$ 122,878
Indirect Costs:	
2024-2025 Texas Education For Homeless Children & Youth	506
23-24 Perkins V: Strengthening CTE for 21st Century	345
ESEA, Title I, Part A - Improving Basic Programs	5,711
Head Start	26,955
IDEA, Part B - Formula	22,249
IDEA, Part B - Preschool	318
Title II, Part A - Supporting Effective Instruction	1,121
Title III, Part A - ELA	164
Title IV, Part A, Subpart 1, Student Support and Academic Enrichment	1,008
Total Indirect Costs	<u>58,377</u>
Total Federal Revenue - Exhibit C-2	<u><u>\$ 181,255</u></u>

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2025
Prepared by Management of Hitchcock Independent School District

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status all audit findings included in the prior audit’s schedule of findings and questioned costs and all audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

Prior Financial Statement Findings

Finding Reference Number	Original Finding Description	Finding Type	Fiscal Year of Initial Occurrence	Status	Explanation if Not Corrected
2024-001	Bank Reconciliations	Material Weakness	2023	Partially corrected	Finding severity reduced to significant deficiency. See current year finding #2025-001.
2024-002	Unauthorized Use of Restricted Funds	Material Noncompliance and Material Weakness	2023	Corrected	N/A
2024-003	Financial Close and Reporting	Material Weakness	2023	Partially corrected	Finding severity reduced to significant deficiency. See current year finding #2025-002.
2024-004	Transfer of Bond Funds to the General Fund	Material Noncompliance and Material Weakness	2024	Corrected	N/A
2024-005	General Fund Expenditures in Excess of Appropriations	Material Noncompliance	2024	Corrected	N/A

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (continued)
For the Year Ended August 31, 2025
Prepared by Management of Hitchcock Independent School District

Prior Federal Award Findings

Finding Reference Number	Original Finding Description	Finding Type	Fiscal Year of Initial Occurrence	Status	Explanation if Not Corrected
2024-006	Unauthorized Use of Child Nutrition Funds; Department of Agriculture; Internal Controls Over Compliance - Activities Allowed/Allowable Costs - Child Nutrition, ALN 10.553, 10.555	Material Weakness	2023	Corrected	N/A
2024-007	Lack of Semi-Annual Certifications for Special Education Personnel; Department of Education; Internal Controls Over Compliance - Allowable Costs / Cost Principles - Special Education Cluster, ALN 84.027, 84.173	Material Weakness	2023	Partially corrected	Finding severity reduced to significant deficiency. See current year finding #2025-003.

HITCHCOCK INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2025
Prepared by Management of Hitchcock Independent School District

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

Financial Statement Findings

Finding Reference Number	Description of Finding	Corrective Action Planned	Responsible Contact Person	Anticipated Completion Date
2025-001	Bank Reconciliations	The district will continue to implement the newly established procedures for monthly bank reconciliations, provide training to qualified personnel, and implement supervisory review of all reconciliations.	Dr. Darryl J. Henson, Superintendent	March 31, 2026
2025-002	Financial Close and Reporting (Financial Reporting)	The district is developing a formal year-end closing process with clear written procedures and assigned responsibilities for reconciling all significant accounts. A detailed closing checklist will be implemented to ensure timely reconciliations and accruals, and supervisory review will be added to verify completion. Additional training is being provided to finance staff on the new financial system and best practices for financial reporting.	Dr. Darryl J. Henson, Superintendent	March 31, 2026

Federal Award Findings

Finding Reference Number	Description of Finding	Corrective Action Planned	Responsible Contact Person	Anticipated Completion Date
2025-003	Time & Effort and Semi-Annual Certifications (Controls over Compliance - Special Education Cluster and Head Start Cluster)	The district has implemented new procedures for fiscal year 2025 to ensure that semi-annual certifications are prepared, signed, and retained for all employees working solely on federal programs, including the Special Education Cluster (IDEA). A tracking system has been established, and staff training has been completed to reinforce documentation requirements. The district will continue to monitor compliance to ensure procedures are consistently applied.	Dr. Darryl J. Henson, Superintendent	March 31, 2026

