

Financial Statements

August 31, 2025

**Kerrville Independent School
District**

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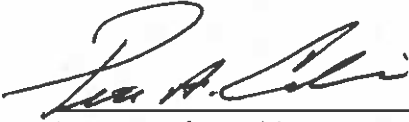
Certificate of the Board

Kerrville Independent School District
Name of School District

Kerr
County

133-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved 7 disapproved 0 for the year ended August 31, 2025, at a meeting of the Board of Trustees of such school district on the 15th day of December 2025.



Signature of Board Secretary



Signature of Board President

If the board of trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(attach list as necessary)



Independent Auditor's Report

To the Board of Trustees of
Kerrville Independent School District
Kerrville, Texas

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 the Kerrville 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Schedule – General Fund (Exhibit G-1), Schedule of District's Proportionate Share of the Net Pension Liability (Exhibit G-2), Schedule of District's Contributions to the Pension Plan (Exhibit G-3), Schedule of District's Proportionate Share of the Net OPEB Liability (Exhibit G-4), and Schedule of District's Contributions to the OPEB Plan (Exhibit G-5) 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, TEA required schedules and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, TEA required schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises Exhibit 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 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 also have issued our report dated December 10, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Abilene, Texas
December 10, 2025

The management of Kerrville Independent School District ("the District") offer readers of the annual financial report this narrative discussion and analysis of the District's financial performance for the year ended August 31, 2025. Readers are encouraged to consider the information presented here in conjunction with the District's financial statements, which follow this analysis.

FINANCIAL HIGHLIGHTS

- At the close of the year ended August 31, 2025, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources. Net position was \$65,135,662. Net investments in capital assets was \$44,370,555.
- The government-wide statements reported total revenues of \$69,942,835, which exceeded total expenses of \$63,692,413 and resulted in a net increase of net position of \$6,250,422 over beginning net position of \$58,885,240.
- The governmental funds financial statements reported combined ending fund balance of \$47,392,442 for the year ending August 31, 2025. This balance includes \$27,348,430 in the General Fund which is unassigned and available for spending at the District's discretion. Restricted fund balance for grants and debt service totals \$901,671 and \$8,050,693 and is included in the Non-Major Funds and Debt Service Fund, respectively. Restricted fund balance for capital acquisitions totals \$111,820 and is included in the Capital Projects Fund. Committed fund balance is \$7,495,572 and is included in the General Fund for future construction projects, other future identified needs and other nonmajor funds for campus activity funds. Assigned fund balance totals \$2,646,685 and is included in the Capital Projects Fund. Non-spendable fund balance is \$837,571.
- The General Fund had \$48,664,971 in revenues, which primarily consisted of state aid and property taxes, and \$47,251,338 in expenditures and \$(45,859) in other financing uses (transfers out), which resulted in an increase in fund balance by \$1,367,774 for the year ended August 31, 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

The basic financial statements include two kinds of statements that present different views of the District:

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

Major features of the District's government-wide and fund financial statements are summarized below:

Type of Statement	Government-Wide	Fund Financials		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not propriety or fiduciary	Activities the District operates similar to private business-health insurance	Instances in which the District is the trustee or agent for someone else's resources
Required Financial Statements	- Statement of net position - Statement of activities	- Balance sheet - Statement of revenues, expenditures, and changes in fund balances	- Statement of net position - Statement of revenues, expenses, and changes in net position - Statement of cash flows	- Statement of fiduciary net position - Statement of change in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after year-end, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenue and expenses during the year, regardless of when cash is received or paid.	All revenue and expenses during the year, regardless of when cash is received or paid.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

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 company. These statements include:

The Statement of Net Position. The Statement of Net Position (Exhibit A-1) focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of what the District owns (assets), what it owes (liabilities), and the net difference (net position). Net position may be further separated into amounts restricted for specific purposes and unrestricted amounts. Over time, increases or decreases in the District's net position may serve as a useful indicator of whether the financial health is improving or deteriorating.

The Statement of Activities. The Statement of Activities (Exhibit B-1) presents information showing how the net position of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing for when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

To assess the overall health of the District, additional nonfinancial factors should be considered, such as changes in the District's property tax base, student enrollment, and facility conditions.

The government-wide financial statements of the District are as follows:

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, rather than the District as a whole. 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. Some funds are required by State law and by bond covenants, while many other funds are established by the District to help manage resources for particular purposes and compliance with various grant provisions. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out of those funds and (2) the balances left at year-end that are available for spending in future periods. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's educational programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explain the relationship (or differences) between them.

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, the Capital Projects Fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation as nonmajor funds.

Proprietary Funds. Services for which the District charges users (other units of the District) a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The District uses internal service funds to report activities that provide supplies and services for the District's transportation fund.

Fiduciary Funds. The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, may be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds are excluded from the District's government-wide financial statements because these resources are not available to finance District operations.

Notes to the Basic Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information, including schedules required by the Texas Education Agency.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's combined net position increased \$6,250,422 from the previous year as can be seen on the following table.

	Governmental Activities				
	2025		2024		Increase (Decrease)
	Amount	%	Amount	%	Amount
Current and other assets	\$53,173,227	29	\$46,325,226	26	\$ 6,848,001
Capital assets, net of accumulated depreciation	130,805,554	71	134,631,271	74	(3,825,717)
Total assets	183,978,781	100	180,956,497	100	3,022,284
Total deferred outflows of resources	8,269,736	100	8,467,327	100	(197,591)
Other liabilities	3,967,864	3	3,414,811	3	553,053
Long-term liabilities outstanding	112,832,447	97	113,409,477	97	(577,030)
Total liabilities	116,800,311	100	116,824,288	100	(23,977)
Total deferred inflows of resources	10,312,544	100	13,714,296	100	(3,401,752)
Net position:					
Net investment in capital assets	44,370,555	68	45,698,940	78	(1,328,385)
Restricted	9,101,058	14	6,550,238	11	2,550,820
Unrestricted	11,664,049	18	6,636,062	11	5,027,987
Total net position	\$65,135,662	100	\$58,885,240	100	\$ 6,250,422

The District's capital assets, which consist of the District's land, buildings, building improvements, vehicles, and equipment, represent about 71 percent of total assets. The remaining assets consist mainly of investments, cash, grants received, property taxes receivable, inventories and prepaid assets.

The District's long-term liabilities include general obligation bonds, premium on bonds and lease and SBITA liability (74%) and net pension and OPEB liability (23%). Other liabilities consist almost entirely of payables on accounts and salaries and benefits (3%).

The District's net position includes its investment in capital assets (e.g., land, buildings, equipment, leased assets) less any related debt used to acquire those assets that are still outstanding. 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 (generally property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligations to students, employees, and creditors.

The change in net position is attributed to the following:

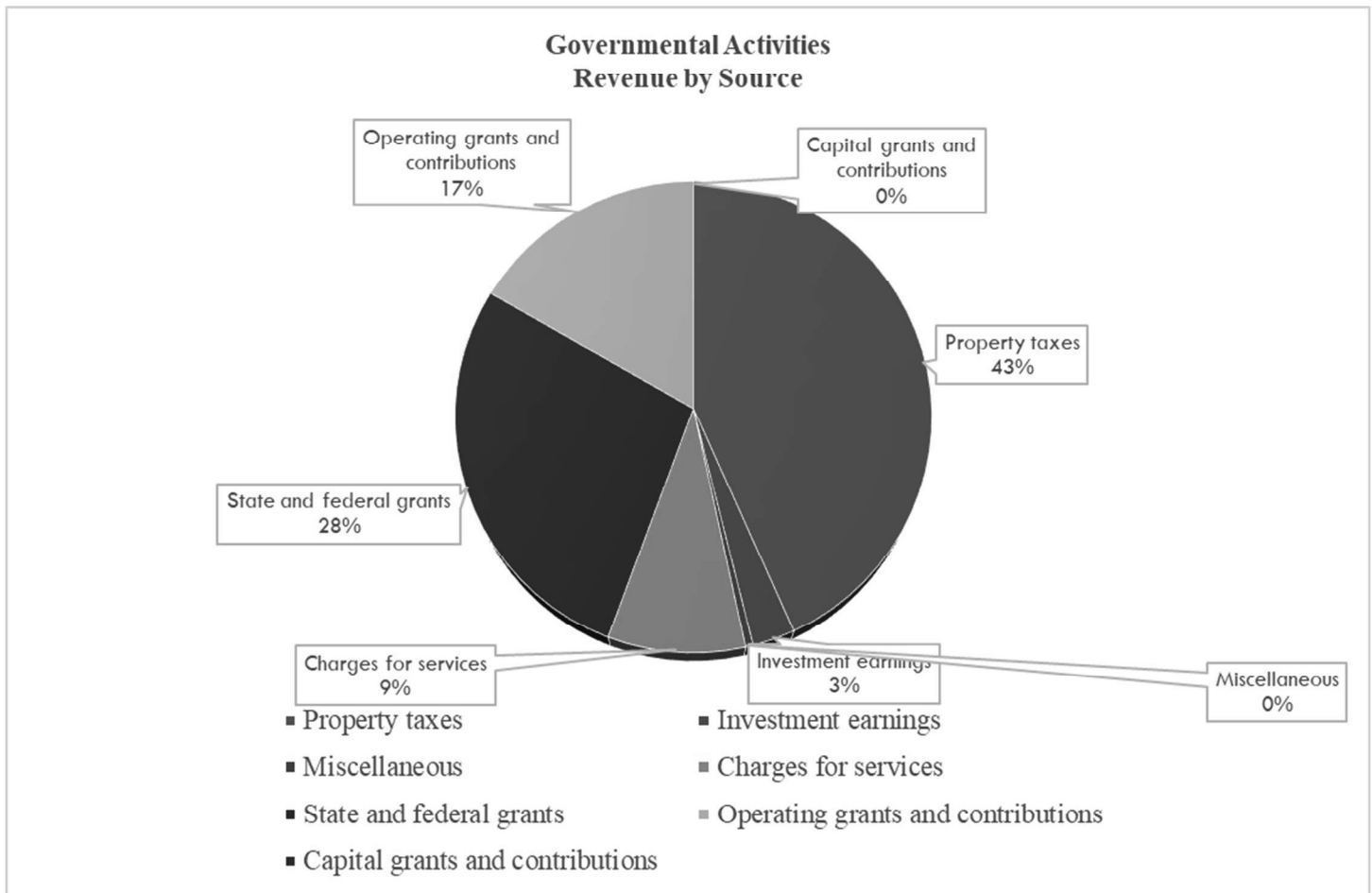
- There was an increase in charges for services related to insurance proceeds which resulted in additional revenue of \$2,936,512 during the current fiscal period.
- There was a significant decrease in instruction expenses of \$1,415,921.

Governmental Activities

Funding for government-wide activities is by the specific program revenue or through general revenues such as property taxes and investment earnings. Revenues for the District's governmental activities decreased \$4,085,062 while total expenses decreased \$3,088,776 which resulted in a net decrease of net position of \$996,286.

Revenues

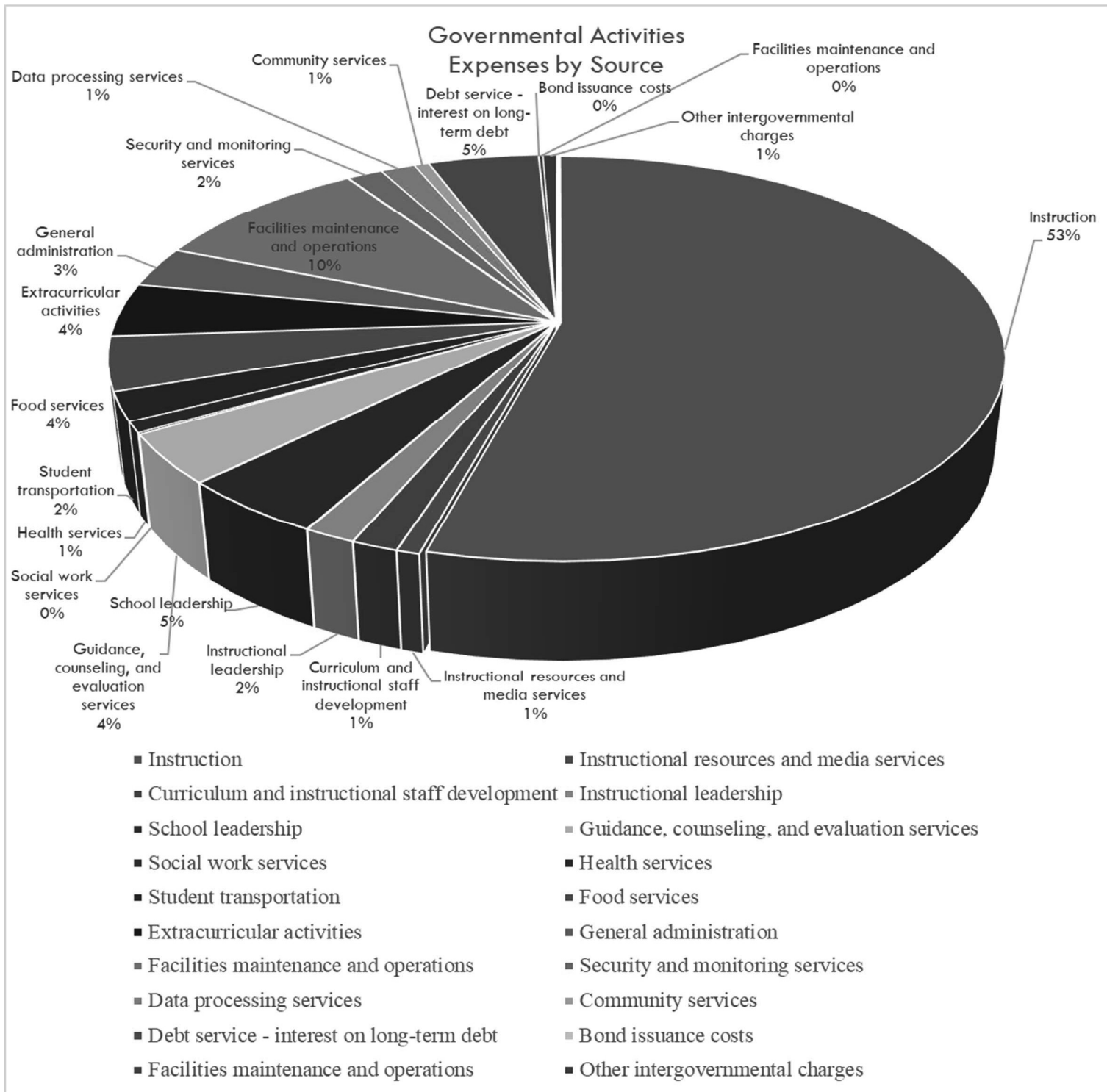
The District's total revenues were \$69,942,835, representing an decrease of \$4,085,062 from the previous year. The majority of this decrease is due to a \$5,414,629 decrease in operating grants and contributions, offset by an increase of \$1,834,301 in charges for services. As seen below, approximately 43% of the District's revenue comes from taxes while the remaining 57% comes primarily from program revenue and state and federal sources.



Expenses

The District's total expenses were \$63,692,413, representing a decrease of \$3,088,776 from the previous year. The District's primary functional expenses are

- Instruction - \$34,477,201 or 54 percent of total expenses
- Facilities maintenance and operations - \$6,067,763, or 10 percent of total expenses



In total, governmental activities increased the District's net position by \$6,250,422. Key elements of this change are as noted on the following page:

Kerrville Independent School District
Management's Discussion and Analysis
August 31, 2025

Kerrville Independent School District's Net Position

	Governmental Activities					
	2025		2024		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	\$ 6,329,319	9	\$4,495,018	6	\$ 1,834,301	41
Operating grants and contributions	11,661,970	17	17,076,599	23	(5,414,629)	-32
Capital grants and contributions	-	0	369,000	1	(369,000)	-100
General revenues:						
Property taxes, levied for general purpose	23,765,411	34	22,726,712	31	1,038,699	5
Property taxes, levied for debt service	6,516,205	9	6,070,314	8	445,891	7
State Aid - Formula Grants	19,354,467	28	20,398,582	28	(1,044,115)	-5
Grants and contributions not restricted to specific programs	7,872	0	454,221	1	(446,349)	-98
Investment earnings	1,959,247	3	2,044,116	3	(84,869)	-4
Miscellaneous	348,344	0	393,335	1	(44,991)	-11
Total revenues	69,942,835	100	74,027,897	100	(4,085,062)	-6
Expenses:						
Instruction	34,477,201	54	35,893,122	54	(1,415,921)	-4
Instructional resources and media services	455,350	1	474,857	1	(19,507)	-4
Curriculum and instructional staff development	911,218	1	1,290,891	2	(379,673)	-29
Instructional leadership	1,014,311	2	922,466	1	91,845	10
School leadership	2,919,576	5	3,130,866	5	(211,290)	-7
Guidance, counseling, and evaluation services	2,487,162	4	2,428,087	4	59,075	2
Social work services	78,784	0	74,432	0	4,352	6
Health services	550,162	1	631,575	1	(81,413)	-13
Student transportation	1,433,397	2	1,994,904	3	(561,507)	-28
Food service	2,730,659	4	2,993,003	4	(262,344)	-9
Extracurricular activities	2,699,162	4	2,887,876	4	(188,714)	-7
General administration	2,043,021	3	2,169,680	3	(126,659)	-6
Facilities maintenance and operations	6,067,763	10	5,477,843	8	589,920	11
Security and monitoring services	968,678	2	875,835	1	92,843	11
Data processing services	942,937	1	824,185	1	118,752	14
Community services	398,077	1	505,353	1	(107,276)	-21
Debt service -interest on long-term debt	3,026,504	5	3,084,814	5	(58,310)	-2
Bond issuance costs	1,000	0	1,500	0	(500)	0
Facilities acquisition and construction	110,804	0	745,384	1	(634,580)	0
Other intergovernmental charges	376,647	1	374,516	1	2,131	1
Total expenses	63,692,413	100	66,781,189	100	(3,088,776)	-5
Change in net position	6,250,422		7,246,708		(996,286)	
Net position, beginning	58,885,240		51,638,532		22,020,697	
Net position - ending	<u>\$ 65,135,662</u>		<u>\$ 58,885,240</u>		<u>\$ 21,024,411</u>	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$47,392,442, an increase of \$6,022,038 in comparison with the prior year. Approximately 58 percent of this total amount (\$27,348,430) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been 1) used to purchase inventories (\$26,253), 2) to purchase services for the next fiscal period (\$811,318), 3) committed for construction (\$1,693,250), 4) committed for various future purposes, such as various capital projects, Instructional Materials Allotment and other items (\$4,886,088), 5) restricted to pay for capital acquisitions (\$111,820), 6) restricted to pay debt service (\$8,050,693), 7) for a variety of other restricted purposes (\$901,671), 8) assigned for capital projects (\$2,646,685). The District's committed fund balance includes \$916,234 for campus activity funds. Assignments reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds.

General Fund. 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 \$27,348,430, while total fund balance reached \$34,765,339. 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 57.9 percent of total General Fund expenditures, while total fund balance represents 73.6 percent of that same amount.

The fund balance of the District's General Fund increased by \$1,367,774 during the current fiscal year. A key factor in this growth is as follows:

- Revenues totaled \$48,664,971, which is a 1 percent decrease from previous year. Expenses totaled \$47,251,338, which is a 6.64% increase from previous year due to the increase in facilities maintenance and operations. This resulted in a 65% decrease from the previous year's net change in fund balances.

Debt Service Fund. The Debt Service Fund has a total fund balance of \$8,050,693, all of which is restricted for the payment of debt service. The net increase in fund balance was \$2,128,708.

Capital Projects Fund. The Capital Projects Fund has a total fund balance of \$2,758,505, which is restricted for the payment of ongoing capital projects.

National School Breakfast/Lunch Program Fund. The National School Breakfast/Lunch Program fund has a total fund balance of \$901,671. The net increase in fund balance during the current year in the Child Nutrition Fund was \$284,292.

Budgetary Highlights

The District adopts an annual appropriated budget for the General Fund, the National School Breakfast and Lunch Program, and the Debt Service Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with statutory requirements.

General Fund. The most significant fund for the District is the General Fund, funded primarily through local property tax revenue. The District's budget amendments presented to the Board of Trustees throughout the year are summarized as follows:

- ***Variances of original expenditure budget compared to amended budget.***
The amended expenditure budget increased in the General Fund \$1,343,446 from the original budget.
- ***Variances of amended budget to actual expenditures.***
Expenditures were \$3,331,340 less than final budgeted amounts.
- ***Variances of original revenue budget compared to actual revenue***
Revenues were more than the final budget by \$2,519,675, largely attributed to State revenue and property taxes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the District had invested \$130,805,554 in a broad range of capital assets, including land, buildings, equipment, and right of use assets. This amount represents a net decrease of \$3,825,717 or 2.84 percent under last year. Additional information on the District's capital assets can be found in Note 5 of this report.

Kerrville Independent School District's Capital Assets / Right to Use Assets

	Governmental Activities	
	2025	2024
Land	\$ 5,922,426	\$ 5,922,426
Construction in progress	276,500	-
Buildings and improvements	169,555,248	169,023,272
Furniture and equipment	10,219,429	9,604,859
Intangible asset - right to use assets	512,286	551,021
Total at historical cost	186,485,889	185,101,578
Less accumulated depreciation/amortization	(55,680,335)	(50,470,307)
Net capital assets	<u>\$ 130,805,554</u>	<u>\$ 134,631,271</u>

Long-Term Debt

At the end of 2025 the District had \$112,832,447 million in long-term liabilities which include general obligation bonds, net pension liability, OPEB liability and lease liability. The District's long-term liabilities decreased by \$577,030 thousand.

Additional information on the District's long-term debt can be found in Note 6 and 7 of this report.

**Kerrville Independent School District's
Long-Term Debt**

	Governmental Activities	
	2025	2024
Bonds Payable		
General obligation bonds	\$ 80,010,000	\$ 82,285,000
Unamortized bond premium	6,520,123	6,808,685
Net pension liability	15,592,178	16,572,561
OPEB liability	10,693,450	7,721,019
Lease liability	16,696	22,212
Totals	<u>\$ 112,832,447</u>	<u>\$ 113,409,477</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The local economy continues to be strong. The 2024-2025 appraised property values decreased by approximately 6.85% due to an increase in property appraisals. The State funding formulas provide that as property tax revenues increase, state funding decreases by a comparable amount.

The Maintenance and Operations (M&O) tax rate remained at \$0.667 per \$100 valuation for the 2025-26 year. The Interest and Sinking (I&S) tax rate decreased to \$.153 per \$100 valuation for an overall rate of \$0.8200 for the 2025-26 year.

General Fund expenditures are budget to increase \$2,404,728 over the prior year budgeted expenditures, due to inflation, costs to operate, a 3% midpoint raise for non-teachers, and a \$4,000 to \$8,000 required raise from HB2 for teachers.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to 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 Department at 1009 Barnett Street, Kerrville, TX 78028.

Data Control Codes		Governmental Activities
Assets		
1110	Cash and cash equivalents	\$ 8,413,936
1120	Current investments	39,132,684
1220	Property taxes receivable (delinquent)	2,402,317
1230	Allowance for uncollectible taxes	(984,321)
1240	Due from other governments	3,366,490
1290	Other receivables	4,550
1300	Inventories at cost	26,253
1410	Prepayments	811,318
Capital assets		
1510	Land	5,922,426
1520	Buildings and improvements, net	120,522,531
1530	Furniture and equipment, net	3,669,317
1550	Right-to-use assets, net of accumulated amortization	414,780
1580	Construction in progress	276,500
1000	Total assets	183,978,781
Deferred outflows of resources		
1705	Deferred outflows - pension	4,314,027
1706	Deferred outflows - OPEB	3,955,709
1700	Total deferred outflows of resources	8,269,736
Liabilities		
2110	Accounts payable	438,575
2120	Other liabilities	21,408
2140	Interest payable	142,639
2160	Accrued wages payable	2,270,277
2180	Due to other governments	747,301
2300	Unearned revenues	347,664
Noncurrent liabilities		
2501	Due within one year	2,400,803
2502	Due in more than one year	84,146,016
2540	Net pension liability	15,592,178
2545	Net OPEB liability	10,693,450
2000	Total liabilities	116,800,311
Deferred inflows of resources		
2605	Deferred inflows - pension	575,625
2606	Deferred inflows - OPEB	9,736,919
2600	Total deferred inflows of resources	10,312,544

See Notes to Financial Statements

Kerrville Independent School District
Statement of Net Position (Exhibit A-1)
August 31, 2025

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	Net position	
3200	Net investment in capital assets	44,370,555
3820	Restricted for grants	901,671
3850	Restricted for debt service	8,199,387
3900	Unrestricted net position	<u>11,664,049</u>
3000	Total net position	<u>\$ 65,135,662</u>

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues	
			3 Charges for Services	4 Operating Grants and Contributions
	Governmental activities			
11	Instruction	\$ 34,477,201	\$ 666,507	\$ 5,642,563
12	Instructional resources and media services	455,350	-	50,667
13	Curriculum and instructional staff development	911,218	-	576,056
21	Instructional leadership	1,014,311	-	100,754
23	School leadership	2,919,576	-	387,666
31	Guidance, counseling, and evaluation services	2,487,162	-	745,623
32	Social work services	78,784	-	59,975
33	Health services	550,162	-	103,110
34	Student transportation	1,433,397	-	286,174
35	Food services	2,730,659	3,195,843	2,033,644
36	Extracurricular activities	2,699,162	2,098,600	101,979
41	General administration	2,043,021	-	175,150
51	Facilities maintenance and operations	6,067,763	33,937	309,182
52	Security and monitoring services	968,678	-	65,639
53	Data processing services	942,937	-	66,890
61	Community services	398,077	-	85,541
72	Debt service - interest on long-term debt	3,026,504	-	866,249
73	Bond issuance costs	1,000	-	-
81	Facilities acquisition and construction	110,804	-	5,108
99	Other intergovernmental charges	376,647	334,432	-
TG	Total governmental activities	<u>63,692,413</u>	<u>6,329,319</u>	<u>11,661,970</u>
TP	Total primary government	<u>\$ 63,692,413</u>	<u>\$ 6,329,319</u>	<u>\$ 11,661,970</u>
	General revenues			
MT	Property taxes, levied for general purposes			
DT	Property taxes, levied for debt service			
SF	State aid - Formula grants			
GC	Grants and contributions not restricted to specific programs			
IE	Investment earnings			
MI	Miscellaneous			
TR	Total general revenues			
CN	Change in net position			
NB	Net position, beginning of year			
NE	Net position, ending			

See Notes to Financial Statements

Kerrville Independent School District
Statement of Activities (Exhibit B-1)
Year Ended August 31, 2025

Program Revenues	Net (Expense) Revenue and Changes in Net Position	
	Primary Government	
5	6	8
Capital Grants and Contributions	Governmental Activities	Total
\$ -	\$ (28,168,131)	\$ (28,168,131)
-	(404,683)	(404,683)
-	(335,162)	(335,162)
-	(913,557)	(913,557)
-	(2,531,910)	(2,531,910)
-	(1,741,539)	(1,741,539)
-	(18,809)	(18,809)
-	(447,052)	(447,052)
-	(1,147,223)	(1,147,223)
-	2,498,828	2,498,828
-	(498,583)	(498,583)
-	(1,867,871)	(1,867,871)
-	(5,724,644)	(5,724,644)
-	(903,039)	(903,039)
-	(876,047)	(876,047)
-	(312,536)	(312,536)
-	(2,160,255)	(2,160,255)
-	(1,000)	(1,000)
-	(105,696)	(105,696)
-	(42,215)	(42,215)
-	(45,701,124)	(45,701,124)
\$ -	\$ (45,701,124)	\$ (45,701,124)
	23,765,411	23,765,411
	6,516,205	6,516,205
	19,354,467	19,354,467
	7,872	7,872
	1,959,247	1,959,247
	348,344	348,344
	51,951,546	51,951,546
	6,250,422	6,250,422
	58,885,240	58,885,240
	\$ 65,135,662	\$ 65,135,662

Data Control Codes		10	50	60
		General Fund	Debt Service Fund	Capital Projects Fund
	Assets			
1110	Cash and cash equivalents	\$ 5,900,412	\$ 47,073	\$ 96,612
1120	Current investments	31,113,965	8,014,877	3,842
1220	Property taxes - delinquent	1,891,729	510,588	-
1230	Allowance for uncollectible taxes (credit)	(775,114)	(209,207)	-
1240	Due from other governments	1,563,104	-	-
1260	Due from other funds	1,492,509	9,820	2,910,333
1290	Other receivables	2,226	-	-
1300	Inventories	26,253	-	-
1410	Prepayments	811,318	-	-
1000	Total assets	42,026,402	8,373,151	3,010,787
1000a	Total assets and deferred outflows of resources	\$42,026,402	\$ 8,373,151	\$ 3,010,787
	Liabilities			
2110	Accounts payable	\$ 108,636	\$ -	\$ 240,406
2120	Other liabilities - current	21,408	-	-
2160	Accrued wages payable	2,086,507	-	-
2170	Due to other funds	2,908,532	-	11,876
2180	Due to other governments	721,762	23,295	-
2300	Unearned revenues	337,425	7,830	-
2000	Total liabilities	6,184,270	31,125	252,282
	Deferred inflows of resources			
	Unavailable revenue - property taxes	1,076,793	291,333	-
2600	Total deferred inflows of resources	1,076,793	291,333	-
	Fund balance			
3410	Nonspendable - inventories	26,253	-	-
3430	Nonspendable - prepaid items	811,318	-	-
3450	Restricted - grants	-	-	-
3470	Restricted - capital acquisition	-	-	111,820
3480	Restricted - debt service	-	8,050,693	-
3510	Committed - construction	1,693,250	-	-
3545	Committed - other	4,886,088	-	-
3550	Assigned - construction	-	-	2,646,685
3600	Unassigned fund balance	27,348,430	-	-
3000	Total fund balances	34,765,339	8,050,693	2,758,505
4000	Total liabilities, deferred inflows, and fund balances	\$42,026,402	\$ 8,373,151	\$ 3,010,787

See Notes to Financial Statements

Kerrville Independent School District
Balance Sheet – Governmental Funds (Exhibit C-1)
August 31, 2025

ONMF Other Non-Major Governmental Funds	98 Total Governmental Funds
\$ 1,764,843	\$ 7,808,940
-	39,132,684
-	2,402,317
-	(984,321)
1,803,386	3,366,490
11,341	4,424,003
2,324	4,550
-	26,253
-	811,318
<u>3,581,894</u>	<u>56,992,234</u>
 \$ 3,581,894	 \$ 56,992,234
\$ 73,417	\$ 422,459
-	21,408
183,770	2,270,277
1,502,149	4,422,557
2,244	747,301
2,409	347,664
<u>1,763,989</u>	<u>8,231,666</u>
 -	 1,368,126
 -	 1,368,126
-	26,253
-	811,318
901,671	901,671
-	111,820
-	8,050,693
-	1,693,250
916,234	5,802,322
-	2,646,685
-	27,348,430
<u>1,817,905</u>	<u>47,392,442</u>
 \$ 3,581,894	 \$ 56,992,234

Kerrville Independent School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit C-2)

August 31, 2025

Total Fund Balances - Governmental Funds (Exhibit C-1)		\$47,392,442
1 The District uses internal service funds to charge the costs of certain activities, such as transportation costs, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		1,929,556
2 Capital assets, net of accumulated depreciation, less assets held in internal service funds, are not financial resources and therefore are not reported as assets in governmental funds.		128,808,995
3 Some liabilities, including bonds payable and leases, are not due and payable in the current period and therefore not reported in the funds:		
Lease liability	(16,696)	
Bonds payable	(80,010,000)	
Unamortized premiums on bonds payable	<u>(6,520,123)</u>	(86,546,819)
4 Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(142,639)
5 Certain assets are not available to pay for current period expenditures and therefore are deferred in the funds. These are:		
Deferred resource inflow for property taxes		1,368,126
6 The government-wide statements include the District's proportionate share of the TRS net pension liabilities and TRS-Care net OPEB liabilities, as well as certain pension and OPEB related transactions accounted for as deferred inflows and outflows of resources, less amounts held in internal service funds:		
Net pension liability	(15,231,971)	
Deferred outflow of resources - TRS pension	4,214,365	
Deferred inflow of resources - TRS pension	(562,327)	
Net OPEB liability	(10,446,412)	
Deferred outflow of resources - TRS-Care OPEB	3,864,325	
Deferred inflow of resources - TRS-Care OPEB	<u>(9,511,979)</u>	<u>(27,673,999)</u>
29 Net position of governmental activities - Statement of Net Position (Exhibit A-1)		<u>\$65,135,662</u>

Data Control Codes		10	50	60
		General Fund	Debt Service Fund	Capital Projects Fund
	Revenues			
5700	Local and intermediate sources	\$ 26,722,072	\$ 6,857,390	\$ 2,955,790
5800	State program revenues	21,805,646	866,249	7,123
5900	Federal program revenues	137,253	-	-
5020	Total revenues	<u>48,664,971</u>	<u>7,723,639</u>	<u>2,962,913</u>
	Expenditures			
	Current			
0011	Instruction	26,860,029	-	-
0012	Instructional resources and media services	364,072	-	-
0013	Curriculum and instructional staff development	352,685	-	-
0021	Instructional leadership	1,001,425	-	-
0023	School leadership	2,752,255	-	-
0031	Guidance, counseling, and evaluation services	1,928,540	-	-
0032	Social work services	24,218	-	-
0033	Health services	493,989	-	-
0034	Student (pupil) transportation	1,457,908	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	1,693,969	-	-
0041	General administration	1,976,901	-	-
0051	Facilities maintenance and operations	6,023,021	-	289,827
0052	Security and monitoring services	731,976	-	-
0053	Data processing services	921,296	-	-
0061	Community services	285,380	-	-
	Debt service			
0071	Debt service	6,520	5,594,931	-
	Capital outlay			
0081	Facilities acquisition and construction	507	-	598,147
	Intergovernmental			
0099	Other intergovernmental charges	376,647	-	-
6030	Total expenditures	<u>47,251,338</u>	<u>5,594,931</u>	<u>887,974</u>
	Excess (deficiency) of revenues over (under) expenditures	<u>1,413,633</u>	<u>2,128,708</u>	<u>2,074,939</u>
	Other financing sources (uses)			
7915	Transfers in	-	-	-
8911	Transfers out	(45,859)	-	-
7080	Total other financing sources (uses)	<u>(45,859)</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	1,367,774	2,128,708	2,074,939
0100	Fund balances, beginning of year	33,397,565	5,921,985	683,566
3000	Fund balances, end of year	<u>\$ 34,765,339</u>	<u>\$ 8,050,693</u>	<u>\$ 2,758,505</u>

See Notes to Financial Statements

Kerrville Independent School District

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (Exhibit C-3)

Year Ended August 31, 2025

ONMF Other Non-Major Governmental Funds	98 Total Governmental Funds
\$ 2,097,037	\$ 38,632,289
730,384	23,409,402
<u>5,625,257</u>	<u>5,762,510</u>
<u>8,452,678</u>	<u>67,804,201</u>
3,375,905	30,235,934
41,239	405,311
567,113	919,798
12,315	1,013,740
83,605	2,835,860
535,286	2,463,826
58,197	82,415
45,925	539,914
78,683	1,536,591
2,491,775	2,491,775
491,545	2,185,514
13,058	1,989,959
1,566	6,314,414
201,165	933,141
-	921,296
50,543	335,923
-	5,601,451
-	598,654
-	376,647
<u>8,047,920</u>	<u>61,782,163</u>
404,758	6,022,038
45,859	45,859
-	(45,859)
<u>45,859</u>	<u>-</u>
450,617	6,022,038
1,367,288	41,370,404
<u>\$ 1,817,905</u>	<u>\$ 47,392,442</u>

Kerrville Independent School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities (Exhibit C-4)

Year Ended August 31, 2025

Total Net Change in Fund Balances - Governmental Funds (Exhibit C-3)	\$ 6,022,038
The District uses internal service funds to charge the costs of certain activities, such as transportation costs, to appropriate functions in other funds. The change in net position of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	104,355
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2025 capital outlays of \$1,077,210, bond principal payments of \$2,275,000, and lease principal payments of \$5,516 is to increase net position.	3,357,726
2025 depreciation expense of \$4,981,207, less depreciation on assets held in internal service funds, increases accumulated depreciation. 2025 amortization of right of use lease assets and subscription assets of \$93,078 increases accumulated amortization. The net effect of the current year's activity is to decrease net position.	(5,074,285)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred tax revenue of \$1,368,126 as revenue and removing the prior year's tax collection of \$1,168,696.	199,430
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The current year change in the accrual is a decrease of \$4,869. The net effect is to increase net position.	4,869
Bond premiums are recorded as other financing sources when received in the fund financial statements but are capitalized and amortized in the government-wide financials. This is the current year amortization.	288,562
Changes in the deferred outflow of resources, deferred inflows of resources and net pension liability must be recorded as expense, less amounts recorded in internal service funds. Changes in contributions made after the measurement date caused the change in net position to increase in the amount of \$24,695. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$607,266. The net effect is a decrease in net position.	(582,571)
Changes in the deferred outflow of resources, deferred inflows of resources and net OPEB liability must be recorded as expense, less amounts recorded in internal service funds. Changes in contributions made after the measurement date caused the change in net position to increase in the amount of \$2,456. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the OPEB expense must be recognized. These cause the change in net position to increase in the amount of \$1,927,842. The net effect is an increase in net position.	1,930,298
Change in net position of governmental activities - Statement of Activities (Exhibit B-1)	<u>\$ 6,250,422</u>

Kerrville Independent School District
Statement of Net Position – Proprietary Fund (Exhibit D-1)
August 31, 2025

Data Control Codes		Governmental Activities <u>Internal Service Fund</u>
	Assets	
	Current assets	
1110	Cash and cash equivalents	\$ 604,996
	Noncurrent assets	
1520	Buildings and improvements	223,746
1571	Depreciation on buildings	(121,561)
1530	Furniture and equipment	5,062,120
1573	Depreciation on furniture and equipment	<u>(3,167,746)</u>
1000	Total assets	<u>2,601,555</u>
1705	Deferred outflows - pension	99,662
1706	Deferred outflows - OPEB	<u>91,384</u>
1700	Total deferred outflows of resources	<u>191,046</u>
	Liabilities	
2110	Accounts payable	16,116
2170	Due to other funds	1,446
	Noncurrent liabilities	
2540	Net pension liability	360,207
2545	Net OPEB liability	<u>247,038</u>
2000	Total liabilities	<u>624,807</u>
2605	Deferred inflows - pension	13,298
2606	Deferred inflows - OPEB	<u>224,940</u>
2600	Total deferred inflows of resources	<u>238,238</u>
	Net position/(deficit)	
3200	Net investment in capital assets	1,996,559
3900	Unrestricted	<u>(67,003)</u>
3000	Total net position	<u><u>\$ 1,929,556</u></u>

Kerrville Independent School District

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund (Exhibit D-2)

Year Ended August 31, 2025

Data Control Codes		Governmental Activities
		Internal Service Fund
	Operating revenues	
5700	Local and intermediate sources	\$ 2,317,600
5020	Total revenues	2,317,600
	Operating expenses	
6100	Payroll costs	1,566,839
6200	Professional and contracted services	31,617
6300	Supplies and materials	367,270
6400	Other operating costs	56,192
6440	Depreciation expense	330,242
6030	Total expenses	2,352,160
	Operating loss	(34,560)
	Nonoperating revenues	
5800	State program revenue	138,915
1100	Excess of revenues over expenses	104,355
1300	Change in net position	104,355
0100	Net position, beginning	1,825,201
3300	Net position, ending	\$ 1,929,556

Kerrville Independent School District
Statement of Cash Flows – Proprietary Fund (Exhibit D-3)
Year Ended August 31, 2025

	Governmental Activities <u>Internal Service Fund</u>
Operating activities	
Cash received from user charges	\$ 2,317,600
Cash payments for employees for services	(1,450,023)
Cash payments for other operating expenses	<u>(447,003)</u>
Net cash from operating activities	<u>420,574</u>
Non-capital financing activities	
State grants received	<u>138,915</u>
Net cash from non-capital financing activities	<u>138,915</u>
Capital and related financing activities	
Acquisition of capital assets	<u>(501,600)</u>
Net cash used for capital and related financing activities	<u>(501,600)</u>
Net change in cash and cash equivalents	57,889
Cash and cash equivalents at beginning of year	<u>547,107</u>
Cash and cash equivalents at end of year	<u><u>\$ 604,996</u></u>
Reconciliation of operating loss to net cash from operating activities	
Operating loss	\$ (34,560)
Depreciation expense	330,242
Changes in assets and liabilities	
Decrease in accounts payable	6,630
Increase in accrued wages payable	(18,798)
Decrease in due to other funds	1,446
Increase in net pension liability	69,142
Decrease in OPEB liability	111,433
Increase in deferred outflows for pension	17,496
Decrease in deferred outflows for OPEB	(59,830)
Decrease in deferred inflows for pension	(9,210)
Decrease in deferred inflows for OPEB	<u>6,583</u>
Net cash from operating activities	<u><u>\$ 420,574</u></u>

Kerrville Independent School District
Statement of Fiduciary Net Position – Fiduciary Fund (Exhibit E-1)
August 31, 2025

	Custodial Fund
Assets	
Cash and cash equivalents	\$ 16,649
Total assets	<u>16,649</u>
Liabilities	
Current liabilities	
Due to other governments	<u>1,629</u>
Total liabilities	<u>1,629</u>
Net Position	
Restricted for student activities	<u>15,020</u>
Total net position	<u><u>\$ 15,020</u></u>

Kerrville Independent School District
Statement of Changes in Fiduciary Net Position – Fiduciary Fund (Exhibit E-2)
Year Ended August 31, 2025

	Custodial Fund
Additions	
Contributions	\$ 25,640
Total additions	<u>25,640</u>
Deductions	
Extracurricular activities	<u>28,622</u>
Total deductions	<u>28,622</u>
Change in net position	(2,982)
Net position, beginning	<u>18,002</u>
Net position, ending	<u><u>\$ 15,020</u></u>

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Board of Trustees, a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the Kerrville Independent School District (the District). The public elects the members of the Board of Trustees. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the trustees, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. There are no component units included within the reporting entity. The financial statements of the District include all activities for which the Board exercises these governance responsibilities.

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 nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 customers or applicants 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. Internally dedicated resources are reported as *general revenues* rather than as program revenues. 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 fiduciary funds 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, as well as the proprietary and fiduciary fund financial statements, are reported using the *economic resources measurement focus* and the accrual basis of accounting. 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.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The Proprietary Fund Types and Fiduciary Funds are accounted for using the *economic resources measurement focus and the accrual basis of accounting*. Revenues are recognized in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

Property taxes and penalties 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 the District receives cash.

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*, a governmental fund type, accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Projects Fund*, a governmental fund type, is used to account for the proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund types:

The *special revenue funds*, a governmental fund type, account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District accounts for each federal and state grant in a separate special revenue fund.

The *internal service fund* is a proprietary fund type. Revenues and expenses are related to services provided to organizations inside the District on a cost reimbursement basis. Internal service funds inherently create redundancy because their expenses are recorded a second time in the fund that are billed for the services they provide. Therefore, on the government-wide financial statements, the operations of the internal service funds are consolidated and interfund transactions are eliminated. The District has an internal service fund for its transportation fund.

Within the *fiduciary funds*, the District has the following:

Custodial funds – The District accounts for resources held for others in a custodial capacity in custodial funds. The District's Custodial Fund is the student activity fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from *nonoperating items*. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the transportation internal service fund are District contributions for the transportation fund. Operating expenses include depreciation and other operating expense and administrative expense for administering the transportation fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Deposits and Investments

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 in investment pools are reported at amortized cost.

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).

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements and in the proprietary fund financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings and improvements	20-50 years
Furniture and equipment	5 years

Right-to-use lease assets are recognized at the lease commencement date and represent the District's right to use an underlying asset for the lease term. Right-to-use lease assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to please the lease asset into service. Right-to-use lease assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the District's right to use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 3 years.

Inventories

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Compensated Absences

It is the District's policy to allow each employee to earn five paid local leave days per school year in accordance with administrative regulations. Local leave shall accumulate without limit. Any unused days at the end of the year are forfeited.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the District.

Subscription liabilities represent the District's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments is discounted based on a borrowing rate determined by the District.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time.

The District has deferred outflows related to pension and OPEB plans as a result of various estimate differences that will be recognized as expenses in future years, reported in the government-wide statement of net position.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District has two types of items that qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is deferred inflows related to pension and OPEB plans as a result of various estimate differences that will be recognized as expenses in future years, reported in the government-wide statement of net position.

Property Tax

In the governmental fund financial statements, property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code.

Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. The assessed value of the property tax roll (net of exemptions), upon which the levy for the August 31, 2025 fiscal year was based, was \$4,366,614,430. Taxes are delinquent if not paid by February 1. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

Current tax collections for the year ended August 31, 2025 were 96.82% of the year-end adjusted tax levy. Allowances for uncollectible taxes within the General Fund are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2025, property taxes receivable, net of estimated uncollectible taxes, totaled \$1,417,996.

The tax rate to finance general governmental services was \$0.6669 per \$100 and the tax rate to finance the payment of principal and interest on long-term obligations was \$0.18 per \$100 for the year ended August 31, 2025.

Net Position

Net position represents the difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources. The District's net position is composed of the following:

Net Investment in Capital Assets is the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvements of these capital assets. The net investment in capital assets is made up of the following:

Net carrying value of capital assets	\$ 130,805,554
Less:	
Outstanding principal of capital debt and other capital borrowings	(80,026,696)
Unamortized balance of original issue premiums	(6,520,123)
Plus:	
Unspent bond proceeds	111,820
Net investment in capital assets	<u>\$ 44,370,555</u>

Restricted for Grants is the component of net position that reports the difference between assets and liabilities of the Federal and State special revenue programs that consists of assets with constraints placed on their use by the Department of Education, Health and Human Services, Defense, Agriculture or TEA.

Restricted for Debt Service is the component of net position that reports the difference between assets and liabilities of the Debt Service Fund, net of accrued interest, at August 31, 2025, that consists of assets with constraints placed on their use by the bond covenants.

Unrestricted is the difference between the assets and liabilities that are not reported in net position invested in capital assets, net position restricted for debt service, net position restricted for federal and state programs, net position restricted for capital projects, and net position restricted for other purposes.

Fund Balance

The District classifies governmental fund balance in accordance with Government Accounting Standards Board (GASB) 54, Fund Balance Reporting and Governmental Fund Type Definitions:

Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. As of August 31, 2025, the District had \$26,253 of nonspendable fund balance for inventories and \$811,318 for prepaid items, respectively.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. As of August 31, 2025, \$111,820 was restricted for capital acquisition and \$901,671 was restricted for Federal grants. Fund balance restricted for the retirement of funded indebtedness totaled \$8,050,693 as of August 31, 2025.

Committed fund balance is established and modified by a resolution from the District's Board, the District's highest level of decision-making authority, and can be used only for the specific purposes determined by the Board's resolution. At August 31, 2025, the District had fund balance committed for the following purposes:

Future turf replacement	\$ 1,055,000
Future track resurfacing	638,250
Committed - construction	<u>\$ 1,693,250</u>
Future band uniforms	\$ 97,250
Future E-rate match	134,940
IDEA-B Special Ed set aside	215,000
IMA-Future Use	497,818
Instrument Replacement	66,350
STEM/FFE	85,000
Vehicle Replacement	180,000
Technology Replacement	1,495,000
Capital Projects	1,639,530
Campus Activities	916,234
Bus Replacement	360,000
Instructional Technology	115,200
Committed - other	<u>\$ 5,802,322</u>

Assigned fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. The Board has delegated the authority to assign fund balance to the Superintendent or the Chief Financial Officer. At August 31, 2025, the District had assigned fund balance of \$2,646,685 in the Capital Projects Fund for future construction.

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in other classifications.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. The District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The District does not have a formal minimum fund balance policy.

Pensions

The fiduciary net position of the Teacher Retirement System (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. The General Fund is typically used to liquidate pension liabilities.

OPEB

The fiduciary net position of the TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources relating 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. The General Fund is typically used to liquidate OPEB liabilities.

Use of Estimates

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

Adoption of New Accounting Standards

As of September 1, 2024, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. There was not a significant effect on the District's financial statements as a result of implementation of this standard.

As of September 1, 2024, the District adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. There were no significant concentrations or constraints that warranted disclosure as a result of implementation of this standard.

New Accounting Pronouncements

GASB issued Statement No. 103, Financial Reporting Model Improvements. Statement 103 was issued in April 2024. The objective of this statement is to improve the financial reporting model's effectiveness in providing information for decision-making and assessing a government's accountability. The statement was issued in April 2024 and is the result of a reexamination project that began in 2013. The statement's requirements are intended to improve transparency, comparability and quality; address application issues and increase consistency. This statement will be effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. The District has not yet determined the impact of this Statement.

GASB issued Statement No. 104, Disclosure of Certain Capital Assets. Statement 104 was issued in September 2024. This statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures. In addition, it establishes requirements for capital assets held for sale. This statement will be effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. The District has not yet determined the impact of this Statement.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information

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

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

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund, and the Child Nutrition Program. The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year.

Note 3 - Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Note 4 - Detailed Notes on All Funds**Deposits and Investments**

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent, bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) coverage. In order to maximize return on cash balances, the District uses consolidated bank accounts from which all disbursements are made, with cash in excess of the District's total daily requirement being invested for future needs.

At August 31, 2025, the bank balance of \$9,351,968 was on deposit with the contracted depository bank. District funds are insured up to \$250,000 for the combined amount of all time and savings accounts, and up to an additional \$250,000 for the combined total of all Demand Deposit Accounts (DDA's). Interest-bearing accounts were collateralized by pledged United States government securities with a fair value of \$9,381,000 at August 31, 2025, held by Security State Bank & Trust. Because Security State Bank & Trust holds the pledged securities in trust on behalf of the District, the deposits were deemed collateralized under Texas law. All campus activity funds were centralized and were on deposit with the contracted depository.

Investments

The Texas legislature passed the Public Funds Investment Act of 1995 ("Public Funds Investment Act") which authorizes the District to invest its excess funds in the following:

- Obligations of the United States or its agencies and instrumentalities,
- Obligations of the State of Texas or its agencies, and instrumentalities,
- Other obligations guaranteed by the United States or the State of Texas or their agencies and instrumentalities,
- Public funds investment pools,
- No load money market funds with a weighted average maturity of 90 days or less,
- Fully collateralized repurchase agreements,
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality not less than an "A", or its equivalent, by a nationally recognized investment rating firm,
- Commercial paper having a stated maturity of 365 days or fewer from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies or one nationally recognized credit agency and is fully secured by an irrevocable letter of credit,
- Guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds,
- Guaranteed or secured certificates of deposit, issued by state and national banks domiciled in Texas, and insured by federal depository insurance or secured by the obligations mentioned above,
- Bonds issued, assumed or guaranteed by the State of Israel, and Secured corporate bonds rated not lower than "AA—" or the equivalent.

The Public Funds Investment Act requires an annual review and approval of investment policies and practices. The review disclosed that in this area of investment practices, management reports and establishment of appropriate policies, the District materially adhered to the requirements of the Public Funds Investment Act. Additionally, investment practices of the District were in accordance with local policies, which are more restrictive than state statutes.

As of August 31, 2025, the following are cash equivalents and investments held by the District, with respective maturities and credit rating:

Type of Investment	Book Value	Percent	Fair Value	Percent	Maturity in Less Than 1 Year	Maturity in 1-10 years	Credit Rating
Cash	\$ 8,430,585	17.7%	\$ 8,430,585	17.7%	\$ -	\$ -	N/A
Investment pools:							
TexPool	3,075,958	6%	3,075,958	6%	3,075,958	-	AAAm
Lone Star/First Public	36,056,726	76%	36,056,726	76%	36,056,726	-	AAA
Total investment pools	39,132,684	82.3%	39,132,684	82.3%	39,132,684	-	
Total cash and investments	<u>\$47,563,269</u>	<u>100%</u>	<u>\$47,563,269</u>	<u>100%</u>	<u>\$ 39,132,684</u>	<u>\$ -</u>	

Investment Pools are measured at amortized cost or net asset value, i.e. fair value. As such, these investments are not required to be reported in the fair value hierarchy.

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares. Audited financial statements of the pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

Lone Star Investment Pool is governed by an 11-member board and is a AAA rated investment program tailored to the investment needs of local governments within the state of Texas. Lone Star Investment Pool assists governments across Texas make the most of taxpayer dollars. Local officials can improve the return on their invested balances by pooling their money with other entities to achieve economies of scale in a conservative fund in full compliance with the Texas Public Funds Investment Act. Lone Star Investment Pool 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. Lone Star uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in Lone Star is the same as the value of Lone Star Shares. Lone Star is administered by First Public LLC, who also serves as the investment advisor. The reported value of the pool is the same as the fair value of the pool shares.

Interest Rate Risk

In accordance with the District's investment policy, investments are made in a manner that ensures the safety of the principal, to maintain liquidity and to maximize financial returns within current market conditions.

Investments shall be made in a manner to ensure the preservation of capital in the overall portfolio, and offsets during a twelve-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. The District's investment strategy states that no individual transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

Credit Risk

The District's investments in Local Government Investment Pools (LGIP's) includes: TexPool and Lone Star/First Public. This is a public fund investment pool operating in full compliance with the Public Funds Investment Act. TexPool is rated AAAM by Standard and Poor's. Lone Star/First Public is rated AAA by Standard and Poor's.

Concentration of Credit Risk

The District's investment portfolio is diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity or specific issuer.

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. All deposits not covered by FDIC insurance but held in the depository bank, Security State Bank & Trust, were fully collateralized.

Foreign Currency Risk

As of August 31, 2025, there are no foreign currency investments in the District's portfolio.

Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2025, are summarized below:

Governmental Activities	State Grants/ Entitlements	Federal Grants	Total
General fund	\$ 1,563,104	\$ -	\$ 1,563,104
Nonmajor governmental funds	393,244	1,410,142	1,803,386
	<u>\$ 1,956,348</u>	<u>\$ 1,410,142</u>	<u>\$ 3,366,490</u>

Interfund Receivables / Payables and Transfers

In the fund financial statements, interfund balances are the results of normal transactions between funds and will be liquidated in the subsequent fiscal year.

Interfund balances at August 31, 2025, resulting from payroll and accumulated fund charges, consisted of the following individual fund balances:

Due from/to other funds	Interfund Receivables	Interfund Payables
General fund	\$ 1,492,509	\$ 2,908,532
Debt service fund	9,820	-
Capital projects fund	2,910,333	11,876
Nonmajor governmental funds	11,341	1,502,149
Internal service fund	-	1,446
	<u>\$ 4,424,003</u>	<u>\$ 4,424,003</u>

The interfund transfer between the General Fund and the nonmajor governmental funds was used to cover program costs of special revenue funds.

Transfers in/out	Transfers In	Transfers Out
General fund	\$ -	\$ 45,859
Nonmajor governmental funds	45,859	-
	<u>\$ 45,859</u>	<u>\$ 45,859</u>

Note 5 - Capital Asset Activity

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

	Beginning Balances	Additions	Reductions	Ending Balances
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 5,922,426	\$ -	\$ -	\$ 5,922,426
Construction in progress	-	276,500	-	276,500
Total capital assets not being depreciated	5,922,426	276,500	-	6,198,926
Capital assets, being depreciated				
Building and improvements	169,023,272	531,976	-	169,555,248
Furniture and equipment	9,604,859	770,334	(155,764)	10,219,429
Total capital assets being depreciated	178,628,131	1,302,310	(155,764)	179,774,677
Less accumulated depreciation for				
Building and improvements	(44,994,056)	(4,038,661)		(49,032,717)
Furniture and equipment	(5,433,088)	(1,272,788)	155,764	(6,550,112)
Total accumulated depreciation	(50,427,144)	(5,311,449)	155,764	(55,582,829)
Total capital assets, being depreciated, net	128,200,987	(4,009,139)	-	124,191,848
Right-to-use lease assets being amortized				
Equipment	29,089	-	-	29,089
Total right-to-use lease assets being amortized	29,089	-	-	29,089
Less accumulated amortization for				
Equipment	(6,397)	(5,818)	-	(12,215)
Total accumulated amortization, lease asset	(6,397)	(5,818)	-	(12,215)
Net right-to-use lease assets	22,692	(5,818)	-	16,874
Right-to-use subscription IT assets being amortized	521,932	-	(38,735)	483,197
Less accumulated amortization, IT assets	(36,766)	(87,260)	38,735	(85,291)
Net right-to-use subscription IT assets	485,166	(87,260)	-	397,906
Total right-to-use assets, net	507,858	(93,078)	-	414,780
Governmental activities capital assets, net	\$ 134,631,271	\$ (3,825,717)	\$ -	\$ 130,805,554

Depreciation expense was charged to the District's functions as follows:

11 Instruction	\$ 3,784,900
12 Instructional resources and media services	38,295
13 Curriculum and staff development	6,424
23 School leadership	25,328
31 Guidance, counseling and evaluation services	11,551
34 Student transportation	330,242
35 Food service	270,559
36 Extracurricular activities	497,550
41 General administration	14,998
51 Facilities maintenance and operations	276,657
53 Data processing services	3,199
61 Community services	51,746
Total depreciation expense - governmental activities	<u>\$ 5,311,449</u>

Amortization expense was charged to the District's functions as follows:

11 Instruction	<u>\$ 93,078</u>
Total amortization expense - governmental activities	<u>\$ 93,078</u>

Construction Commitments

Estimated costs to complete construction in progress as of August 31, 2025 are \$5,000,000.

Note 6 - Long-Term Debt

The long-term indebtedness of the District pertains to the Governmental Activities of the District. Expenditures for the debt service requirements of the long-term debt are accounted for in the General Fund and Debt Service Fund.

A summary of bond issuances and other general long-term debt original amounts issued, interest rates, and maturity dates as of August 31, 2025 is as follows:

Bond Issuances	Amounts Original Issued	Interest Rate Payable	Maturity Date
School Building Bonds Series 2013	\$ 5,970,000	2% to 4%	August 15, 2033
Unlimited Tax School Building Bond Series 2019	49,070,000	2% to 5%	August 15, 2048
Unlimited Tax School Building Bond Series 2020	34,055,000	2% to 5%	August 15, 2049
 <u>Leases</u>			
Quadient	\$ 27,452	5.09%	June 30, 2028

Kerrville Independent School District
Notes to Financial Statements
August 31, 2025

A summary of changes in general long-term debt for the year ended August 31, 2025 is as follows:

Bond Issuances	Beginning Balance	Debt Issued	Principal Retired	Ending Balance	Due Within One Year
Unlimited Tax School Building Bonds Series 2013	\$ 4,450,000	\$ -	\$ (420,000)	\$ 4,030,000	\$ 440,000
Unlimited Tax School Building Bond Series 2019	45,820,000	-	(1,135,000)	44,685,000	1,195,000
Unlimited Tax School Building Bond Series 2020	32,015,000	-	(720,000)	31,295,000	760,000
Total bonds payable	82,285,000	-	(2,275,000)	80,010,000	2,395,000
Leases payable	22,212	-	(5,516)	16,696	5,803
Total general long-term debt	<u>\$ 82,307,212</u>	<u>\$ -</u>	<u>\$ (2,280,516)</u>	<u>\$ 80,026,696</u>	<u>\$ 2,400,803</u>

Debt service requirements for the District's bonds are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2026	\$ 2,395,000	\$ 3,209,381	\$ 5,604,381
2027	2,490,000	3,105,981	5,595,981
2028	2,615,000	2,986,031	5,601,031
2029	2,740,000	2,860,031	5,600,031
2030	2,875,000	2,727,981	5,602,981
2031-2035	15,010,000	11,771,087	26,781,087
2036-2040	16,230,000	8,769,525	24,999,525
2041-2045	19,895,000	5,110,625	25,005,625
2046-2050	15,760,000	1,194,088	16,954,088
	<u>\$ 80,010,000</u>	<u>\$ 41,734,730</u>	<u>\$ 121,744,730</u>

Kerrville Independent School District

Notes to Financial Statements

August 31, 2025

A summary of changes of total bonds payable and other long-term debt follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$82,285,000	\$ -	\$(2,275,000)	\$80,010,000	\$ 2,395,000
Premium on bond payable	6,808,685	-	(288,562)	6,520,123	-
Total bonds payable, net	89,093,685	-	(2,563,562)	86,530,123	2,395,000
Lease liabilities	22,212	-	(5,516)	16,696	5,803
Governmental activities long-term liabilities	<u>\$89,115,897</u>	<u>\$ -</u>	<u>\$(2,569,078)</u>	<u>\$86,546,819</u>	<u>\$ 2,400,803</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of August 31, 2025.

Note 7 - Leases

The District entered into a lease agreement for the use of mailing machines with Quadient beginning July 26, 2023. Under the terms of the lease, the District pays a quarterly base fee of \$1,637. The District is required to make annual principal and interest payments through June 2028.

At August 31, 2025, the District has recognized a right to use asset of \$16,874 and a lease liability of \$16,696 related to these agreements. During the fiscal year, the District recorded \$5,818 in amortization expense and \$1,004 in interest expense for the right to use the copier and postage meter. The District used a discount rate of 1.66% on the copier lease and 5.09% for the postage meter lease. The discount rates were based on the estimated incremental borrowing rate of the District.

Remaining obligations associated with these leases are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2026	\$ 5,803	\$ 715	\$ 6,518
2027	6,106	411	6,517
2028	<u>4,787</u>	<u>100</u>	<u>4,887</u>
Total	<u>\$ 16,696</u>	<u>\$ 1,226</u>	<u>\$ 17,922</u>

Note 8 - Subscription Liability

The District entered into agreements to have the right to use instructional materials software. Under the terms of the contract, the District paid \$439,484 during the year ended August 31, 2024. No further payments remain and no subscription liability exists at August 31, 2025. The agreements terminate over the following 2-8 years.

At August 31, 2024, the District recognized a right to use asset of \$397,906 and no right of use liability related to these agreements. During the fiscal year, the District recorded \$87,260 in amortization expense for the right to use the instructional materials software.

Note 9 - Contingencies

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

Note 10 - Defined Benefit Pension Plan**Plan Description**

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

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 through 2025.

	Contribution Rates	
	2024	2025
Member	8.25%	8.25%
Non-employer contributing entity (State)	8.25%	8.25%
Employers/District	8.25%	8.25%

The contribution amounts for the District are as follows:

	2024	2025
Member contributions	\$ 2,827,192	\$ 2,812,370
Non-Employer Contributing Entity (NECE)		
on-behalf contributions (State)	1,965,658	1,973,830
District contributions	1,437,389	1,462,084

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

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

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

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

- All public schools, charter schools and regional education service centers must contribute 1.7% of the member's salary beginning in fiscal year 2023, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of TRS the employer shall pay both the member contribution and State contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2023 actuarial valuation rolled forward to August 31, 2024 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual entry age normal
Asset Valuation Method	Fair value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2024	3.87%
Last year ending August 31 in Projection	
Period (100 years)	2123
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95%
Ad hoc post-employment benefit changes	None

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

The long-term expected rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target allocation as of August 31, 2024 (see page 56 of the 2024 TRS ACFR) are summarized on the following page.

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return as of August 31, 2024

Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	4.0%	1.00%
Non-U.S. Developed	13.0%	4.2%	0.80%
Emerging Markets	9.0%	5.2%	0.70%
Private Equity	14.0%	6.7%	1.20%
Stable Value			
Government Bonds	16.0%	1.9%	0.40%
Absolute Return ⁴	0.0%	4.0%	0.00%
Stable Value Hedge Funds	5.0%	3.0%	0.20%
Real Return			
Real Estate	15.0%	6.6%	1.20%
Energy and Natural Resources and Infrastructure	6.0%	5.6%	0.40%
Commodities	0.0%	2.5%	0.00%
Risk Parity			
Risk Parity	8.0%	4.0%	0.40%
Leverage			
Cash	2.0%	1.0%	0.00%
Asset Allocation Leverage	-6.0%	1.3%	-0.10%
Inflation Expectation			2.40%
Volatility Drag ³			-0.70%
Total	100%		7.90%

¹Target Allocation based on the FY2024 policy manual.

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

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

⁴Absolute Return includes Credit Sensitive instruments.

Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using the discount rate of 7.00%, and what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease Discount Rate (6.00%)	Discount Rate (7.00%)	1% Decrease in Discount Rate (8.00%)
Total TRS net pension liability	\$ 97,566,906,778	\$ 61,084,175,799	\$ 30,855,639,673
District's proportionate share of the net pension liability	\$ 24,904,659	\$ 15,592,178	\$ 7,876,125

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

At August 31, 2025, the District reported a liability of \$15,592,178 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 15,592,178
State's proportionate share that is associated with the District	20,638,154
Total	<u>\$ 36,230,332</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 employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At August 31, 2024, the employer's proportion of the collective net pension liability was 0.0255257232% which was an increase of .0001399% from its proportion measured as of August 31, 2023.

Changes 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 fiscal year ended August 31, 2025, the District recognized pension expense of \$2,466,604 and revenue of \$1,903,984 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 859,420	\$ 121,736
Changes in actuarial assumptions	805,058	107,931
Difference between projected and actual investment earnings	94,779	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	-
	1,092,686	345,958
Contributions paid to TRS subsequent to the measurement date	1,462,084	-
	<u>\$ 4,314,027</u>	<u>\$ 575,625</u>
Total	<u>\$ 4,314,027</u>	<u>\$ 575,625</u>

\$1,462,084 is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended August 31, 2026.

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

Year Ended August 31,	Pension Expense Amount
2026	\$ 89,968
2027	1,881,765
2028	417,926
2029	(249,287)
2030	135,946
Thereafter	-
Total	<u>\$ 2,276,318</u>

Note 11 - Postemployment Health Benefits

Plan Description

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

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

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

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

TRS-Care Premium Monthly 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 school districts based upon public school district payroll. 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 .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2024. The following table shows contributions to the TRS-Care plan by type of contributor:

Contribution Rates		
	2024	2025
Active employee	0.65%	0.65%
Non-employer contributing entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%
	2024	2025
Employer contributions	\$ 319,762	\$ 317,306
Member contributions	222,750	221,582
NECE on-behalf contributions	387,556	391,501

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

Actuarial Assumptions

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for the TRS for the period ending August 31, 2017.

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:

Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Rates of disability

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

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - Birth to Death."
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Salary Increases	2.95% to 8.95%, including inflation
Healthcare Trend Rates	4.25% to 7.25% The initial medical trend rates were 6.75% for Medicare retirees and 6.75% for non-Medicare retirees. There was an initial prescription drug trend rate of 7.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 11 years.
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% participation after age 65; 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

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 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% lower than and 1% higher than the discount rate that was used (3.87%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.87%)	Discount Rate (3.87%)	1% Decrease in Discount Rate (4.87%)
Total TRS Net OPEB Liability	\$ 36,059,038,653	\$ 30,351,532,252	\$ 25,739,781,222
District's proportionate share of the Net OPEB Liability	\$ 12,704,318	\$ 10,693,450	\$ 9,068,638

Healthcare Cost Trend Rate Sensitivity Analysis

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Total TRS net OPEB liability	\$ 24,716,816,909	\$ 30,351,532,252	\$ 37,694,128,071
District's proportionate share of the OPEB liability	\$ 8,708,227	\$ 10,693,450	\$ 13,280,393

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

At August 31, 2025, the District reported a liability of \$10,693,450 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 was as follows:

District's proportionate share of the collective net pension liability	\$ 10,693,450
State's proportionate share that is associated with the District	13,398,747
Total	<u>\$ 24,092,197</u>

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

At August 31, 2025, the District's proportion of the collective Net OPEB Liability was 0.0352319927% compared to 0.0348762891% as of August 31, 2024.

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 since the prior measurement period:

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

Change 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 OPEB benefit of \$1,741,590 and revenue of \$400,992 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,049,575	\$ 5,336,611
Changes in actuarial assumptions	1,368,635	3,489,149
Difference between projected and actual investment earnings	-	29,945
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	220,193	881,214
Contributions paid to TRS subsequent to the measurement date	317,306	-
	<u>\$ 3,955,709</u>	<u>\$ 9,736,919</u>
Total		

\$317,306 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ended August 31, 2026.

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

Year Ended August 31,	OPEB Expense Amount
2026	\$ (1,843,234)
2027	(1,358,915)
2028	(1,334,455)
2029	(1,018,350)
2030	(549,610)
Thereafter	6,048
Total	<u>\$ (6,098,516)</u>

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization act of 2003, which was 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 TRS-Care to receive retiree drug subsidy payments from federal governments to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenue and expenditures by the District in the amount of \$217,436, \$179,431, and \$169,240, for the years ended August 31, 2025, 2024 and 2023, respectively.

Note 12 - Unavailable Revenue and Unearned Revenue

Unavailable revenue at year-end in the fund financial statements consisted of the following:

	General Fund	Debt Service	Total
Unavailable tax collections	\$ 1,076,793	\$ 291,333	\$ 1,368,126
Total	<u>\$ 1,076,793</u>	<u>\$ 291,333</u>	<u>\$ 1,368,126</u>

Unearned revenue at year-end in the fund financial statements consisted of the following:

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
Unearned state revenue	\$ -	\$ 7,830	\$ -	\$ 7,830
Unearned local revenue	337,425	-	2,409	339,834
Total	<u>\$ 337,425</u>	<u>\$ 7,830</u>	<u>\$ 2,409</u>	<u>\$ 347,664</u>

Note 13 - Revenues from Local and Intermediate Sources

For the year ended August 31, 2025, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 23,698,932	\$ 6,383,254	\$ -	\$ -	\$ 30,082,186
Penalties, interest, and other tax related income	283,056	65,288	-	-	348,344
Food service sales	-	-	-	687,600	687,600
Investment income	1,502,007	408,848	19,278	29,114	1,959,247
Campus activity related income	-	-	-	1,380,323	1,380,323
Tuition	245,268	-	-	-	245,268
Cocurricular student activities	232,894	-	-	-	232,894
Other	759,915	-	2,936,512	-	3,696,427
Total	<u>\$ 26,722,072</u>	<u>\$ 6,857,390</u>	<u>\$ 2,955,790</u>	<u>\$ 2,097,037</u>	<u>\$ 38,632,289</u>

Note 14 - General Fund Federal Source Revenues

Revenues from federal sources, which are reported in the General Fund, consist of:

	FFAL	Amount
Medicaid Administrative Claiming	93.778	\$ 12,611
School of Health and Related Services	N/A	86,807
Indirect costs:		
Title I, Part A	84.010A	36,294
Career and Technical Education	84.048	1,541
		<u>\$ 137,253</u>

Note 15 - Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2025, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

During the year ended August 31, 2025, employees of the District were covered by TRS-ActiveCare, a statewide health care benefits program for active public education employees, authorized by House Bill 3343 by the 77th Texas Legislature. The program is administered by the TRS, with Aetna as the health plan administrator and Caremark as the pharmacy benefits manager. The District contributes \$360 per month per active employee to the plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to TRS-ActiveCare.

Workers' Compensation Insurance

During the year ended August 31, 2025, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's workers' compensation program is authorized by Chapter 504, Texas Labor Code. All districts participating in the Fund execute Inter-local Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The District participates in the Fund's reimbursable aggregate deductible program. As such, the District is responsible for a certain amount of claims liability as outlined on the District's Contribution and Coverage Summary document. After the District's deductible has been met, the Fund is responsible for additional claims.

The Fund and its members are protected against higher-than-expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully fund those reserves. As of August 31, 2024, the Fund carries a discounted reserve of \$72,109,722 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2025, the Fund anticipates no additional liability beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each plan year on August 31 and is approved by the Fund's Board of Trustee 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 State Board of Insurance in Austin.

Tax Abatements

In compliance with GASB Statement No. 77, the District did not have any outstanding tax abatements for the year ended August 31, 2025.

Required Supplementary Information
August 31, 2025

Kerrville Independent School District

Kerrville Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
(Exhibit G-1)
Year Ended August 31, 2025

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive or (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 25,560,600	\$ 25,560,600	\$ 26,722,072	\$ 1,161,472
5800	State program revenues	20,212,696	20,419,696	21,805,646	1,385,950
5900	Federal program revenues	565,000	165,000	137,253	(27,747)
5020	Total revenues	46,338,296	46,145,296	48,664,971	2,519,675
	Expenditures				
	Current				
0011	Instruction	26,790,796	27,948,619	26,860,029	1,088,590
0012	Instructional resources and media services	390,014	424,014	364,072	59,942
0013	Curriculum and instructional staff development	334,274	425,713	352,685	73,028
0021	Instructional leadership	1,086,197	1,018,445	1,001,425	17,020
0023	School leadership	2,850,676	2,778,161	2,752,255	25,906
0031	Guidance, counseling, and evaluation services	1,895,212	1,941,529	1,928,540	12,989
0032	Social work services	23,453	33,453	24,218	9,235
0033	Health services	553,240	509,900	493,989	15,911
0034	Student (pupil) transportation	1,822,660	2,177,660	1,457,908	719,752
0035	Food services	-	60,000	-	60,000
0036	Extracurricular activities	1,626,566	2,025,545	1,693,969	331,576
0041	General administration	2,112,940	2,022,545	1,976,901	45,644
0051	Facilities maintenance and operations	6,940,429	6,442,820	6,023,021	419,799
0052	Security and monitoring services	724,593	760,532	731,976	28,556
0053	Data processing services	912,315	932,875	921,296	11,579
0061	Community services	407,961	307,961	285,380	22,581
0071	Debt service	325,906	225,906	6,520	219,386
0081	Facilities acquisition and construction	-	5,000	507	4,493
0099	Intergovernmental Other intergovernmental charges	442,000	542,000	376,647	165,353
6030	Total expenditures	49,239,232	50,582,678	47,251,338	3,331,340
1100	Excess (deficiency) of revenues over (under) expenditures	(2,900,936)	(4,437,382)	1,413,633	5,851,015
	Other financing sources (uses)				
8911	Transfers out	-	-	(45,859)	(45,859)
7080	Total other financing sources	-	-	(45,859)	(45,859)
1200	Net change in fund balances	(2,900,936)	(4,437,382)	1,367,774	5,805,156
0100	Fund balances, beginning	33,397,565	33,397,565	33,397,565	-
3000	Fund balances, ending	\$ 30,496,629	\$ 28,960,183	\$ 34,765,339	\$ 5,805,156

Kerrville Independent School District
Schedule of District's Proportionate Share of the Net Pension Liability (Exhibit G-2)
August 31, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension liability	0.0255257%	0.0241265%	0.0237288%	0.0220232%	0.0218984%	0.0254771%	0.0266207%	0.0276432%	0.0277138%	0.0260441%
District's proportionate share of net pension liability	\$ 15,592,178	\$ 16,572,561	\$ 15,592,178	\$ 5,608,541	\$ 11,728,311	\$ 13,243,790	\$ 14,652,695	\$ 8,838,799	\$ 10,472,626	\$ 9,206,243
State's proportionate share of the net pension liability associated with the District	20,638,154	23,455,425	21,745,811	10,241,303	22,304,510	19,947,028	22,459,861	13,569,437	16,482,561	17,624,966
Totals	\$ 36,230,332	\$ 40,027,986	\$ 37,337,989	\$ 15,849,844	\$ 34,032,821	\$ 33,190,818	\$ 37,112,556	\$ 22,408,236	\$ 26,955,187	\$ 26,831,209
District's covered payroll	\$ 34,268,965	\$ 31,619,640	\$ 30,849,080	\$ 29,682,781	\$ 29,754,042	\$ 28,211,966	\$ 29,294,037	\$ 28,286,768	\$ 27,844,412	\$ 27,440,718
District's proportionate share of net pension liability as a percentage of its covered payroll	45.50%	52.41%	50.54%	18.89%	39.42%	46.94%	50.02%	31.25%	37.61%	33.55%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net pension liability which is August 31 of the preceding fiscal year.

Kerrville Independent School District
Schedule of District's Contributions to the Pension Plan (Exhibit G-3)
August 31, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 1,462,084	\$ 1,437,389	\$ 1,240,158	\$ 1,320,059	\$ 1,437,389	\$ 903,506	\$ 891,537	\$ 896,965	\$ 893,662	\$ 771,178
Contribution in relation to the contractually required contribution	(1,462,084)	(1,437,389)	(1,240,158)	(1,320,059)	(1,437,389)	(903,506)	(891,537)	(896,965)	(893,662)	(771,178)
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 34,089,294	\$ 34,268,965	\$ 31,619,640	\$ 30,849,080	\$ 29,682,781	\$ 29,754,042	\$ 28,221,966	\$ 29,294,037	\$ 28,286,768	\$ 27,844,412
Contributions as a percentage of covered pay	4.29%	4.19%	3.92%	4.28%	4.84%	3.04%	3.16%	3.06%	3.16%	2.77%

Note: The information disclosed for each fiscal year is reported as of the District's fiscal year-end date.

Kerrville Independent School District
Schedule of District's Proportionate Share of the Net OPEB Liability (Exhibit G-4)
August 31, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.0352320%	0.0348763%	0.0349227%	0.0347711%	0.0348297%	0.0354635%	0.0368514%	0.0395156%
District's proportionate share of net OPEB liability	\$ 10,693,450	\$ 7,721,019	\$ 8,361,882	\$ 13,412,754	\$ 13,240,339	\$ 16,771,145	\$ 18,400,242	\$ 17,183,848
State's proportionate share of the net OPEB liability associated with the District	13,398,747	9,316,597	10,200,182	17,970,101	17,791,842	22,285,100	23,382,095	21,039,605
Totals	\$ 24,092,197	\$ 17,037,616	\$ 18,562,064	\$ 31,382,855	\$ 31,032,181	\$ 39,056,245	\$ 41,782,337	\$ 38,223,453
District's covered employee payroll	\$ 34,268,965	\$ 31,619,640	\$ 30,849,080	\$ 29,682,781	\$ 29,754,042	\$ 28,221,966	\$ 29,294,037	\$ 28,286,768
District's proportionate share of net OPEB liability as a percentage of its covered payroll	31.20%	24.42%	27.11%	45.19%	44.50%	59.43%	62.81%	60.75%
Plan fiduciary net position as a percentage of the total OPEB liability	13.70%	14.94%	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net OPEB liability which is August 31 of the preceding fiscal year.

Note 2: Plan information was unavailable prior to 2018.

Kerrville Independent School District
Schedule of District's Contributions to the OPEB Plan (Exhibit G-5)
August 31, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 317,306	\$ 319,762	\$ 302,543	\$ 286,832	\$ 271,641	\$ 263,482	\$ 251,693	\$ 251,693
Contribution in relation to the contractually required contribution	(317,306)	(319,762)	(302,543)	(286,832)	(271,641)	(263,482)	(251,693)	(251,693)
Contributions deficiency/excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 34,089,294	\$ 34,268,965	\$ 31,619,640	\$ 30,849,080	\$ 29,682,781	\$ 29,754,042	\$ 28,221,966	\$ 29,294,037
Contributions as a percentage of covered payroll	0.93%	0.93%	0.96%	0.93%	0.92%	0.89%	0.89%	0.86%

Note: The information disclosed for each fiscal year is reported as of the District's fiscal year-end date.

Note 2: Plan information was unavailable prior to 2018.

Note 1 - Budget

Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

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

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

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year-end.

Note 2 - Pension

Changes of Benefit Terms

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.

Changes of Assumptions

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

Note 3 - OPEB

Changes of Benefit Terms

Since the last valuation was prepared for this plan, Texas Senate Bill 1055, which was signed by the Governor on May 10, 2023, added Stephen F. Austin State University into the University of Texas System. As a result, eligible employees of Stephen F. Austin State University ceased being members under this OPEB plan effective August 31, 2023. This change is reflected in the Total OPEB Liability as of August 31, 2023. In addition, this valuation reflects the minor benefit changes that became effective September 1, 2023, since these changes were announced to plan members in advance of August 31, 2023. These minor benefit changes, which are not expected to have a significant impact on plan costs for fiscal year 2024, are provided for in the fiscal year 2024 Assumed Per Capita Health Benefit Costs.

Changes of Assumptions

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

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

Other Supplementary Information
August 31, 2025

Kerrville Independent School District

		205	211	224
Data Control Codes		Head Start	ESEA Title I Improving Basic Programs	IDEA - B Formula
Assets				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1240	Due from other governments	502,320	344,469	351,566
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1000	Total assets	<u>\$ 502,320</u>	<u>\$ 344,469</u>	<u>\$ 351,566</u>
Liabilities				
2110	Accounts payable	\$ 5,663	\$ -	\$ 3,052
2160	Accrued wages payable	41,865	63,559	75,551
2170	Due to other funds	454,792	280,910	272,963
2180	Due to other governments	-	-	-
2300	Unearned revenues	-	-	-
2000	Total liabilities	<u>502,320</u>	<u>344,469</u>	<u>351,566</u>
Fund balances				
3450	Restricted - grants	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 502,320</u>	<u>\$ 344,469</u>	<u>\$ 351,566</u>

Kerrville Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
August 31, 2025

225	240	244	255	263
IDEA - B Preschool Grant	National School Breakfast/Lunch Program	Career and Tech Basic Grant	ESEA Title II Training & Recruiting	English Language Acquisition and Enhancement
\$ -	\$ 837,959	\$ -	\$ -	\$ -
9,823	124,282	9,561	37,683	4,076
-	-	-	-	-
-	-	-	-	-
<u>\$ 9,823</u>	<u>\$ 962,241</u>	<u>\$ 9,561</u>	<u>\$ 37,683</u>	<u>\$ 4,076</u>
\$ -	\$ 57,034	\$ -	\$ -	\$ -
2,795	-	-	-	-
7,028	3,536	9,561	37,683	4,076
-	-	-	-	-
-	-	-	-	-
<u>9,823</u>	<u>60,570</u>	<u>9,561</u>	<u>37,683</u>	<u>4,076</u>
-	901,671	-	-	-
-	-	-	-	-
-	901,671	-	-	-
<u>\$ 9,823</u>	<u>\$ 962,241</u>	<u>\$ 9,561</u>	<u>\$ 37,683</u>	<u>\$ 4,076</u>

Data Control Codes		288	289	385
		Air Force ROTC	Title IV Part A Subpart 1	Supplemental Visually Impaired
	Assets			
1110	Cash and cash equivalents	\$ 679	\$ -	\$ -
1240	Due from other governments	-	26,362	-
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
1000	Total assets	<u>\$ 679</u>	<u>\$ 26,362</u>	<u>\$ -</u>
	Liabilities			
2110	Accounts payable	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	679	26,362	-
2180	Due to other governments	-	-	-
2300	Unearned revenues	-	-	-
2000	Total liabilities	<u>679</u>	<u>26,362</u>	<u>-</u>
	Fund balances			
3450	Restricted - grants	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 679</u>	<u>\$ 26,362</u>	<u>\$ -</u>

Kerrville Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
August 31, 2025

397	410	429	461	Total Nonmajor Governmental Funds (See Exhibit C-1)
Advanced Placement Initiatives	State Textbook Fund	State Special Revenue	Campus Activity Funds	
\$ -	\$ -	\$ -	\$ 926,205	\$ 1,764,843
-	384,713	8,531	-	1,803,386
-	11,341	-	-	11,341
-	-	-	2,324	2,324
<u>\$ -</u>	<u>\$ 396,054</u>	<u>\$ 8,531</u>	<u>\$ 928,529</u>	<u>\$ 3,581,894</u>
\$ -	\$ 26	\$ -	\$ 7,642	\$ 73,417
-	-	-	-	183,770
-	396,028	8,531	-	1,502,149
-	-	-	2,244	2,244
-	-	-	2,409	2,409
<u>-</u>	<u>396,054</u>	<u>8,531</u>	<u>12,295</u>	<u>1,763,989</u>
-	-	-	-	901,671
-	-	-	916,234	916,234
<u>-</u>	<u>-</u>	<u>-</u>	<u>916,234</u>	<u>1,817,905</u>
<u>\$ -</u>	<u>\$ 396,054</u>	<u>\$ 8,531</u>	<u>\$ 928,529</u>	<u>\$ 3,581,894</u>

		205	211	224
Data Control Codes		Head Start	ESEA Title I Improving Basic Programs	IDEA - B Formula
Revenues				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	935,043	1,124,922	1,142,289
5020	Total revenues	935,043	1,124,922	1,142,289
Expenditures				
Current				
0011	Instruction	479,241	614,767	944,462
0012	Instruction resources and media services	5,432	-	-
0013	Curriculum and instructional staff development	60,668	327,839	-
0021	Instructional leadership	-	885	-
0023	School leadership	76,161	-	-
0031	Guidance, counseling and evaluation services	104,698	160,905	197,827
0032	Social work services	58,197	-	-
0033	Health services	45,759	-	-
0034	Student transportation	78,683	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0051	Facilities maintenance and operations	-	-	-
0052	Security and monitoring services	563	-	-
0061	Community services	25,641	20,526	-
6030	Total expenditures	935,043	1,124,922	1,142,289
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
Other financing sources (uses)				
7915	Operating transfers in	-	-	-
7080	Total other financing sources (uses)	-	-	-
1200	Net change in fund balance	-	-	-
0100	Fund balances, beginning of year	-	-	-
3000	Fund balances, August 31 (ending)	\$ -	\$ -	\$ -

Kerrville Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds (Exhibit H-2)
Year Ended August 31, 2025

225	240	244	255	263
IDEA - B Preschool Grant	National School Breakfast/Lunch Program	Career and Tech Basic Grant	ESEA Title II Training & Recruiting	English Language Acquisition and Enhancement
\$ -	\$ 716,714	\$ -	\$ -	\$ -
-	39,475	-	-	-
27,839	1,974,019	46,031	151,259	39,828
27,839	2,730,208	46,031	151,259	39,828
27,839	-	43,599	-	33,650
-	-	-	-	-
-	-	2,432	139,791	5,036
-	-	-	6,798	93
-	-	-	2,910	-
-	-	-	95	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	2,491,775	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	1,665	1,049
27,839	2,491,775	46,031	151,259	39,828
-	238,433	-	-	-
-	45,859	-	-	-
-	45,859	-	-	-
-	284,292	-	-	-
-	617,379	-	-	-
\$ -	\$ 901,671	\$ -	\$ -	\$ -

		288	289	385
Data Control Codes		Air Force ROTC	Title IV Part A Subpart 1	Supplemental Visually Impaired
	Revenues			
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	7,120
5900	Federal program revenues	76,063	107,964	-
5020	Total revenues	76,063	107,964	7,120
	Expenditures			
	Current			
0011	Instruction	76,063	14,048	7,120
0012	Instruction resources and media services	-	1,845	-
0013	Curriculum and instructional staff development	-	10,822	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling and evaluation services	-	71,193	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	8,394	-
0041	General administration	-	-	-
0051	Facilities maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0061	Community services	-	1,662	-
6030	Total expenditures	76,063	107,964	7,120
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
	Other financing sources (uses)			
7915	Operating transfers in	-	-	-
7080	Total other financing sources (uses)	-	-	-
1200	Net change in fund balance	-	-	-
0100	Fund balances, beginning of year	-	-	-
3000	Fund balances, August 31 (ending)	\$ -	\$ -	\$ -

Kerrville Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds (Exhibit H-2)
Year Ended August 31, 2025

397	410	429	461	Nonmajor Governmental Funds (See Exhibit C-3)
Advanced Placement Initiatives	State Textbook Fund	Special Revenue Fund	Campus Activity Funds	
\$ -	\$ -	\$ -	\$ 1,380,323	\$ 2,097,037
3,986	463,514	216,289	-	730,384
-	-	-	-	5,625,257
<u>3,986</u>	<u>463,514</u>	<u>216,289</u>	<u>1,380,323</u>	<u>8,452,678</u>
-	463,514	128	671,474	3,375,905
-	-	-	33,962	41,239
3,986	-	11,020	5,519	567,113
-	-	4,539	-	12,315
-	-	-	4,534	83,605
-	-	-	568	535,286
-	-	-	-	58,197
-	-	-	166	45,925
-	-	-	-	78,683
-	-	-	-	2,491,775
-	-	-	483,151	491,545
-	-	-	13,058	13,058
-	-	-	1,566	1,566
-	-	200,602	-	201,165
-	-	-	-	50,543
<u>3,986</u>	<u>463,514</u>	<u>216,289</u>	<u>1,213,998</u>	<u>8,047,920</u>
-	-	-	166,325	404,758
-	-	-	-	45,859
-	-	-	-	45,859
-	-	-	166,325	450,617
-	-	-	749,909	1,367,288
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 916,234</u>	<u>\$ 1,817,905</u>

Required TEA Schedules
August 31, 2025

Kerrville Independent School District

<u>Year Ended August 31,</u>	<u>1 2</u> <u>Tax Rates</u>		<u>3</u> <u>Assessed/Appraised</u> <u>Value for School</u> <u>Tax Purposes</u>
	<u>Maintenance</u>	<u>Debt Service</u>	
2016 and prior years	\$ Various	\$ Various	\$ Various
2017	1.04000	0.1400	2,382,594,852
2018	1.04000	0.1400	2,466,390,254
2019	1.04000	0.1400	2,633,361,610
2020	1.04000	0.1400	2,824,652,821
2021	0.97000	0.2000	2,983,792,137
2022	0.87200	0.1800	3,355,840,589
2023	0.85460	0.1800	3,662,911,787
2024	0.66920	0.1800	3,451,638,669
2025 (school year under audit)	0.66690	0.1800	3,702,182,918
1000 Totals			
8000 Taxes Refunded			

Kerrville Independent School District
12 Month Schedule of Delinquent Taxes Receivable (Exhibit J-1)
Year Ended August 31, 2025

10 Beginning Balance 9/1/2024	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2024	99 Total Taxes Refunded Under Section 26.1115(c)
\$ 439,926	\$ -	\$ 11,888	\$ 1,622	\$ (5)	\$ 426,411	
72,297	-	3,316	446	-	68,535	
85,931	-	5,044	679	-	80,208	
104,899	-	8,086	1,089	1	95,725	
148,981	-	19,605	4,032	1	125,345	
190,213	-	24,473	5,333	(2,060)	158,347	
220,209	-	30,576	6,306	(2,143)	181,184	
374,078	-	52,420	11,000	(37,975)	272,683	
570,232	-	115,608	30,325	(143,439)	280,860	
-	30,828,201	23,505,754	6,340,573	(268,855)	713,019	
<u>\$ 2,206,766</u>	<u>\$ 30,828,201</u>	<u>\$ 23,776,770</u>	<u>\$ 6,401,405</u>	<u>\$ (454,475)</u>	<u>\$ 2,402,317</u>	
						<u>\$ -</u>

Kerrville Independent School District
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – National School
Breakfast and Lunch Program (Exhibit J-2)
Year Ended August 31, 2025

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 655,000	\$ 655,000	\$ 716,714	\$ 61,714
5800	State program revenues	11,200	11,089	39,475	28,386
5900	Federal program revenues	2,207,507	2,239,507	1,974,019	(265,488)
5020	Total revenues	2,873,707	2,905,596	2,730,208	(175,388)
	Expenditures				
	Current				
0035	Food service	2,873,707	2,905,707	2,491,775	413,932
6030	Total expenditures	2,873,707	2,905,707	2,491,775	413,932
1100	Excess (deficiency) of revenues over (under) expenditures	-	(111)	238,433	238,544
	Other financing sources (uses)				
7915	Transfers in	-	-	45,859	45,859
7080	Total other financing sources	-	-	45,859	45,859
1200	Change in fund balance	-	(111)	284,292	284,403
0100	Fund balances, beginning	617,379	617,379	617,379	-
3000	Fund balances, ending	\$ 617,379	\$ 617,268	\$ 901,671	\$ 284,403

Kerrville Independent School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund
(Exhibit J-3)
Year Ended August 31, 2025

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 6,471,000	\$ 6,471,000	\$ 6,857,390	\$ 386,390
5800	State program revenues	373,000	373,000	866,249	493,249
5020	Total revenues	6,844,000	6,844,000	7,723,639	879,639
	Expenditures				
	Debt service				
0071	Principal on long term debt	2,275,000	2,275,000	2,275,000	-
0072	Interest on long term debt	3,318,931	3,318,931	3,318,931	-
0073	Other debt service fees	1,250,069	1,250,069	1,000	1,249,069
6030	Total expenditures	6,844,000	6,844,000	5,594,931	1,249,069
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	2,128,708	2,128,708
1200	Net change in fund balances	-	-	2,128,708	2,128,708
0100	Fund balances, beginning	5,921,985	5,921,985	5,921,985	-
3000	Fund balances, ending	\$ 5,921,985	\$ 5,921,985	\$ 8,050,693	\$ 2,128,708

Kerrville Independent School District

Use of Funds Report (Exhibit J-4)

Year Ended August 31, 2025

<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your District expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the District have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the District's fiscal year.	\$3,912,021
AP4	List the actual direct program expenditures for state compensatory education programs during the District's fiscal year. (PICs 24, 26, 28, 29, 30)	\$2,366,554
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your District expend any bilingual education program state allotment funds during the District's fiscal year?	Yes
AP6	Does the District have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the District's fiscal year.	\$ 237,742
AP8	List the actual direct program expenditures for bilingual education programs during the District's fiscal year. (PIC 25)	\$ 422,809

Federal Awards Section

August 31, 2025

Kerrville Independent School District



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 of
Kerrville Independent School District
Kerrville, Texas

We have audited, 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 Kerrville 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 December 10, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Abilene, Texas
December 10, 2025



Independent Auditor's Report on Compliance for the Major Federal Program, Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Trustees of
Kerrville Independent School District
Kerrville, Texas

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

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

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

Basis for Opinion on the 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 the 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 the major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

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

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

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



Abilene, Texas
December 10, 2025

Kerrville Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended August 31, 2025

Fund Number	Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
	U.S. Department of Defense			
	Direct Programs			
288	Air Force Junior ROTC	12.000	TX1D2063	\$ 76,063
	Total U.S. Department of Defense			76,063
	U.S. Department of Education			
	Passed through Texas Education Agency			
224	IDEA - Part B, Formula**	84.027A	256600011339036000	1,142,289
225	IDEA - Part B, Preschool**	84.173	256610011339036000	27,839
	Total			1,170,128
211	Title I, Part A - Improving Basic Programs	84.010A	25610101133903	1,119,766
211	Title I, Part A - Improving Basic Programs	84.010A	256101397110004	41,450
	Total Title I Grants to Local Education Agencies			1,161,216
244	Career and Technical Education - Basic Grants to States	84.048A	25420006133903	47,572
263	Title III, Part A - English Language Acquisition	84.365A	25671001133903	37,833
263	Title III, Part A -Immigrant	84.365A	25671003133903	1,995
	Total Title III English Language Acquisition			39,828
255	Title II, Part A - Supporting Effective Instruction	84.367A	25694501133903	151,259
289	Title IV, Part A - Academic Enrichment	84.424A	25680101133903	96,364
289	LEP Summer School	84.369A	69552402	1,363
	Total passed through Texas Education Agency			2,667,730
	Passed through Region 10 ESC			
289	Early Childhood Special Education**	84.173A	246610047110001	10,237
	Total passed through Region 10 ESC			10,237
	Total U.S. Department of Education			2,677,967
	U.S. Department of Health and Human Services			
	Direct Programs - Head Start Cluster			
205	Head Start	93.600	06CH011567	935,043

Kerrville Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended August 31, 2025

Fund Number	Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
199	Passed through Texas Health and Human Services Commission Medicaid Administrative Claiming Program - MAC Total Medicaid Cluster Total passed through Texas Health and Human Services Commission Total U.S. Department of Health and Human Services	93.778	HH50053790023	\$ 12,611 <u>12,611</u> <u>12,611</u> <u>947,654</u>
240	U.S. Department of Agriculture Passed through Texas Education Agency School Breakfast Program	10.553	71402501	424,303
240	National School Lunch Program*	10.555	71302501	1,362,883
240	National School Lunch Program - noncash assistance*	10.555	71302501	186,833
	Total Child Nutrition Cluster			<u>1,974,019</u>
	Total U.S. Department of Agriculture			<u>1,974,019</u>
	Total Federal Financial Assistance			<u>\$ 5,675,703</u>
	*Total National School Lunch Program (ALN 10.555)			\$ 1,549,716
	**Total Special Education Cluster (ALN 84.027A/84.173/84.173A)			\$ 1,180,365

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the 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 2 - Summary of Significant Accounting Policies

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal expenditures were accounted for in the General Fund and Special Revenue Funds, components of the Governmental Fund type. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

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

School health and related services revenues are considered earned income at the local government level and thus are not included in the Schedule of Expenditures of Federal Awards. The following is a reconciliation of Federal Revenues on Exhibit C-3 to the Schedule of Expenditures of Federal Awards:

Total expenditures of federal awards per Exhibit K-1	\$ 5,675,703
School Health and Related Services	<u>86,807</u>
Total federal revenues per Exhibit C-3	<u><u>\$ 5,762,510</u></u>

Note 3 - Indirect Cost Rate

The District is not eligible to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance because the District has previously received a negotiated indirect cost rate for its federal awards.

Note 4 - Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed.

Kerrville Independent School District
Schedule of Findings and Questioned Costs (Part I) Summary of Auditor's Results (Exhibit K-2)
Year Ended August 31, 2025

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>Financial Assistance Listing Number</u>
Title I, Part A	84.010A
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Kerrville Independent School District
Schedule of Findings and Questioned Costs (Part 2) Financial Statement Findings & Federal Awards Findings
(Exhibit K-3)
Year Ended August 31, 2025

Section II – Financial Statement Findings

The audit disclosed no findings required to be reported.

Section III – Federal Award Findings and Questioned Costs

The audit disclosed no findings and questioned costs required to be reported.

Kerrville Independent School District
Schedule of Required Responses to Selected School First Indicators (Exhibit L-1)
Year Ended August 31, 2025

Data Control Codes		Responses
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
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	\$0