FALLS CITY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED AUGUST 31, 2025

This page left intentionally blank.

FALLS CITY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2025

TABLE OF CONTENTS

	Page	Exhibit
Certificate of Board	1	
Independent Auditor's Report	2	
Management's Discussion and Analysis	4	
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	10	A-1
Statement of Activities	11	B-1
Governmental Fund Financial Statements:		
Balance Sheet-Governmental Funds	12	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds	14	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	15	C-4
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	16	E-1
Statement of Changes in Fiduciary Fund Net Position	17	E-2
Notes to the Financial Statements	18	
Required Supplementary Information:		
Budgetary Comparison Schedule-General Fund	42	G-1
Schedule of District's Proportionate Share of the Net Pension Liability (TRS)	43	G-2
Schedule of District Pension Contributions to TRS	44	G-3
Schedule of District's Proportionate Share of the Net OPEB Liability (TRS)	45	G-4
Schedule of District OPEB Contributions to TRS	46	G-5
Notes to Required Supplementary Information	47	
Combining Schedules:		
Combining Balance Sheet-Nonmajor Governmental Funds	49	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	51	H-2
Required TEA Schedules:		
Schedule of Delinquent Taxes Receivable	54	J-1
Budgetary Comparison Schedule-Child Nutrition Program	56	J-2
Budgetary Comparison Schedule - Debt Service Fund	57	J-3
Use of Funds Report - Select State Allotment Programs	58	J-4
Overall Compliance and Internal Controls Section:		
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*	60	
Summary Schedule of Prior Audit Findings	61	
Schedule of Findings and Responses	62	
Corrective Action Plan	63	

This page left intentionally blank.

CERTIFICATE OF BOARD

Falls City Independent School District	Karnes	128-904
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached auditor's reports of the above named school district were reviewed and ___approved - ___disapproved for the year ended August 31, 2025, at a meeting of the board of school trustees of such school district on the _____ day of _____, 2025.

_____ _____

Signature of Board Secretary Signature of Board President

If the auditor's reports were checked above as disapproved, the reason(s) therefore is/are (attach list if necessary):

This page left intentionally blank.

Cameron L. Gulley
CERTIFIED PUBLIC ACCOUNTANT

P. O. Box 163
Eastland, Texas 76448
(325)669-9795
cgulley@txol.net

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Falls City Independent School District
P.O. Box 399
Falls City, Texas 78113

Report on the Audit of the Financial Statements

Opinions
I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for Falls City 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 my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the 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 account principles generally accepted in the United States of America.

Basis for Opinions
I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am required to be independent of the District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Change in Accounting Principle
As discussed in Note V to the financial statements, the District adopted new accounting guidance, GASBS No. 101, *Compensated Absences*. My opinions are not modified with respect to this matter.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
My 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 my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit with 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*, I:

- 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 my 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.

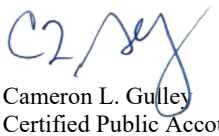
I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identify during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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. I have applied certain limited procedure to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining statements and the required TEA schedules listed in the table of contents 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In my opinion, the combining statements and the required TEA schedules listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 17, 2025, on my consideration of the District's internal control over financial reporting and on my 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 my 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 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.



Cameron L. Gulley
Certified Public Accountant
Eastland, Texas

December 17, 2025

Falls City Independent School District

P. O. Box 399 • Falls City, Texas 78113 • Ph 830-254-3551 • Fax 830-254-3354

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Falls City Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August, 31, 2025. Please read it in conjunction with the independent auditor's report on page 2 and the District's Basic Financial Statements which begin on page 10.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 and 11). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 18) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 5. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the District and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into one activity:

> Governmental activities - All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these services.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's one type of fund - governmental - uses the following accounting approach:

> Governmental funds - All of the District's basic services are reported in governmental funds. These use the modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Fund Net Position on pages 16 and 17. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analyses of comparative balances and changes therein is inclusive of the current year's and prior year's operations. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Total net position of the District's governmental activities increased from $32,462,787 to $36,605,354. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased from $5,942,842 to $4,813,760. Current and other assets decreased by $129 thousand due to miscellaneous receivables net of reductions in cash and investments. Capital assets decreased by $783 thousand due to depreciation expense in excess of asset additions. Long-term liabilities decreased by $5 million due to the bond principal retirements of $5.1 million and changes in net pension (NPL), other post-employment benefit (OPEB) and accrued compensated absences payable liabilities. Other liabilities decreased by $10 thousand due to reductions in state aid wealth recapture liabilities net of increases in ending accounts payable and accrued payroll. Deferred resource outflows related to NPL and OPEB liabilities decreased by $299 thousand and deferred resource inflows related to NPL and OPEB liabilities decreased by $367 thousand.

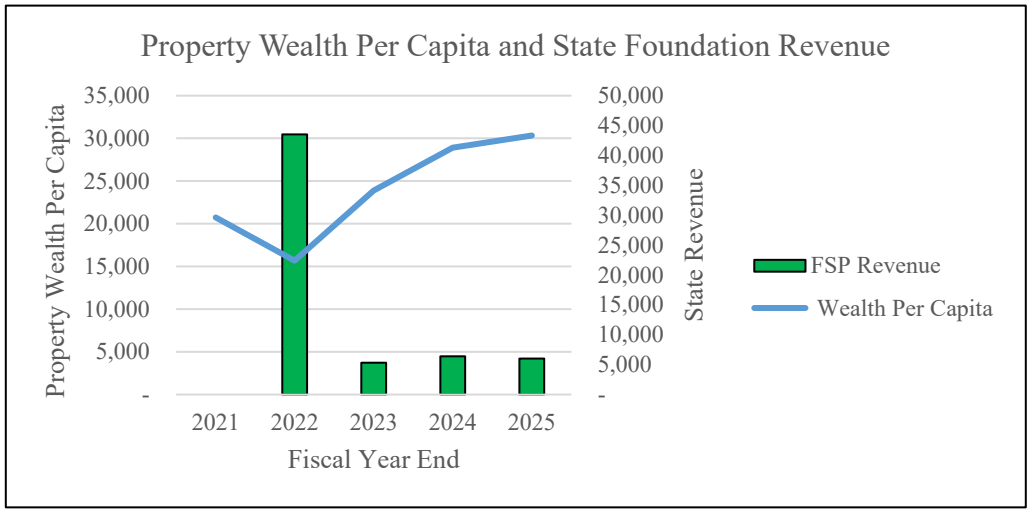
Total revenues decreased by $861 thousand for the year. Property taxes increased for maintenance and operations and debt service by $44 thousand and $53 thousand, respectively, due to valuation increases for both and a slight increase in tax rate for debt service. State aid-formula grants increased by $83 thousand for the year due to increased Available School Fund allotments. Charges for services increased by $53 thousand due to higher tuition revenue. Grants and contributions decreased by $556 thousand due to state safety and federal ESSER grant revenues. Other revenues decreased by $539 thousand due to investment income.

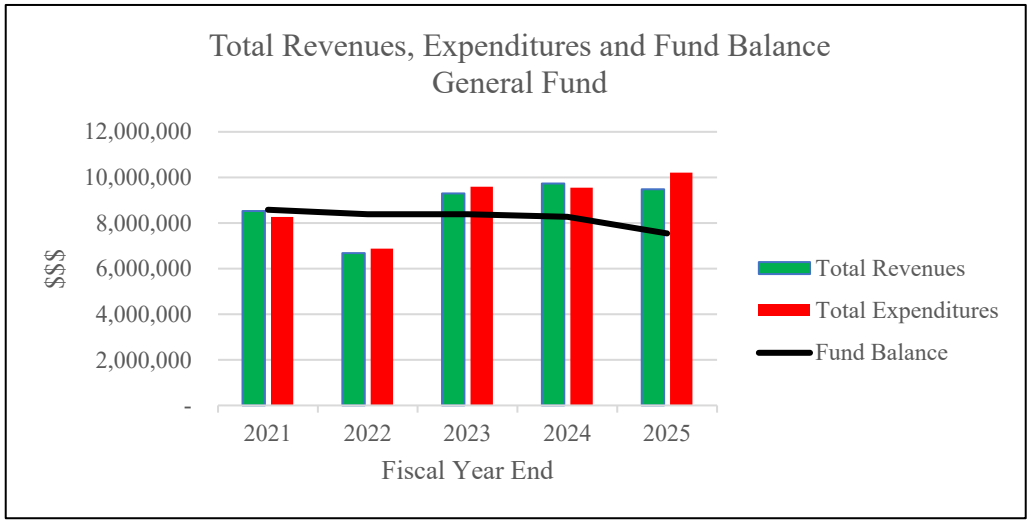
Total expenses increased by $61 thousand for the year. Excluding the expense accruals for NPL and OPEB, total expenses increased by $147 thousand. The most significant functional category changes from last year were due to the following: contracted instructional services between schools increased by $275 thousand due to property tax revenues in relation to student average daily attendance; debt service expenses decreased by $355 thousand due to the results of prior year bond defeasance and current year early bond redemptions; facilities maintenance and operations, security and data processing increased by $71 thousand due to payroll costs and supplies; instruction expenses increased by $40 thousand due to payroll costs net of reduced professional fees and instructional supplies; and child nutrition expenses decreased by $46 thousand due to food supplies.

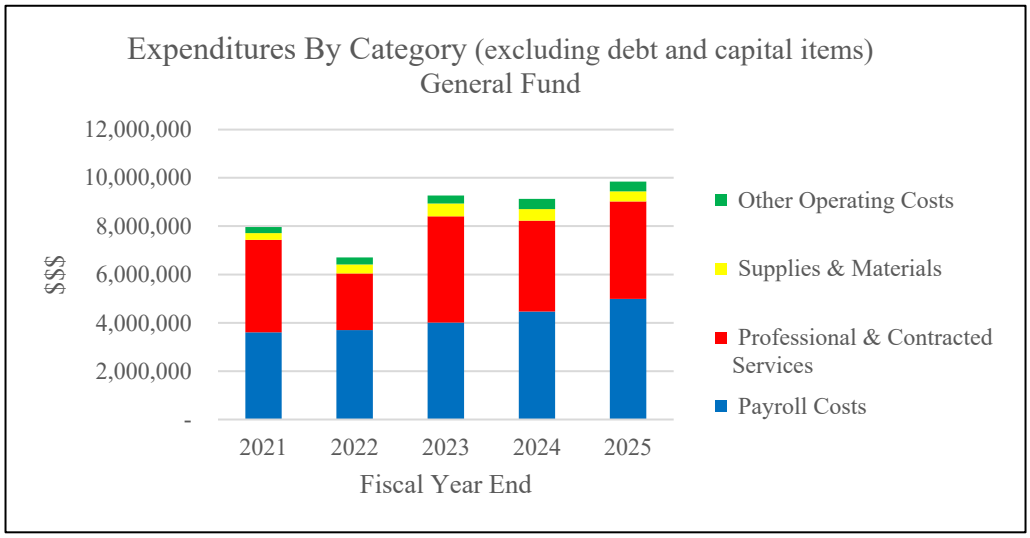
Table I Net Position			
	Governmental Activities 2025	Governmental Activities 2024	Variance Increase/ (Decrease)
Current and other assets	$ 11,331,389	$ 11,460,836	$ (129,447)
Capital assets	37,159,575	37,942,547	(782,972)
Deferred resource outflows for TRS	1,745,492	2,044,377	(298,885)
Total assets and deferred resource outflows	50,236,456	51,447,760	(1,211,304)
Long-term liabilities	11,831,149	16,807,983	(4,976,834)
Other liabilities	459,611	469,650	(10,039)
Deferred resource inflows for TRS	1,340,342	1,707,340	(366,998)
Total liabilities and deferred resource inflows	13,631,102	18,984,973	(5,353,871)
Net position:			
Net investment in capital assets	28,801,350	24,160,313	4,641,037
Restricted for debt service and federal programs	2,990,244	2,359,632	630,612
Unrestricted	4,813,760	5,942,842	(1,129,082)
Total net position	$ 36,605,354	$ 32,462,787	$ 4,142,567

Table II Changes in Net Position			
	Governmental Activities 2025	Governmental Activities 2024	Variance Favorable/ (Unfavorable)
Revenues:			
Program Revenues:			
Charges for services	$ 380,314	$ 327,190	$ 53,124
Grants and contributions	680,832	1,236,506	(555,674)
General Revenues:			
Property taxes - general operating	8,100,935	8,056,573	44,362
Property taxes - debt service	5,988,782	5,936,179	52,603
State aid - formula grants	323,518	240,572	82,946
Other	566,614	1,105,133	(538,519)
Total Revenues	16,040,995	16,902,153	(861,158)
Expenses:			
Instruction, curriculum and media services	4,305,885	4,265,801	(40,084)
Instructional and school leadership	387,428	376,569	(10,859)
Student support services	402,211	382,786	(19,425)
Child nutrition	486,546	532,509	45,963
Extracurricular activities	532,144	504,128	(28,016)
General administration	536,807	525,359	(11,448)
Plant maintenance, security & data processing	1,384,445	1,312,983	(71,462)
Debt service	219,691	574,652	354,961
Contracted instructional services between schools	3,067,472	2,792,504	(274,968)
Payments related to shared service arrangements	105,903	112,844	6,941
Payments to juvenile justice alternative ed. prg.	0	10,000	10,000
Other intergovernmental charges	174,440	151,684	(22,756)
Total Expenses	11,602,972	11,541,819	(61,153)
Increase (Decrease) in Net Position	4,438,023	5,360,334	(922,311)
Net Position - beginning of year	32,462,787	27,102,453	5,360,334
Prior period adjustment	(295,456)	0	(295,456)
Net Position - end of year	$ 36,605,354	$ 32,462,787	$ 4,142,567

The following charts depict trend information for the past five years.







THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of $10,474,434, a decrease of $92,810 in the District's Governmental Funds from last year's fund balance of $10,567,244. The primary reasons for the net decrease are similar to the narrative related to the tables above. The major exceptions are depreciation expense which is not charged to the governmental funds and the net effect relative to GASB 68, 75 and 101 whose impacts are only at the government-wide level financial statements. The specific variances in the changes in fund balance versus the change in net position are detailed out on Exhibit C-4 on the accompanying general purpose financial statements.

The Board of Trustees revised the District's budget two times during the year. Major budget amendments were as follows: increased payroll costs and tax collector fees in general administration; reductions in repairs in facilities maintenance and operations; reduced security fees in security and monitoring services; increased payroll costs in data processing; increased wealth recapture costs in contracted instructional services between schools; and increased appraisal district fees in intergovernmental charges.

The District's General Fund balance of $7,542,993 reported on pages 14 and 42 differs from the General Fund's budgetary fund balance of $7,276,240 reported in the budgetary comparison schedule on page 42 primarily due to overall expenditures being less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2025, the District had $46,652,089 invested in a broad range of capital assets including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. Following were asset additions for the year.

Asset additions:	
Digital marquee sign	$ 60,343
Cafeteria equipment (dishwasher and garbage disposal)	20,847
Water heaters (3)	37,400
Chromebook computers bulk purchase	39,944
Technology improvements - network switches	36,710
Total asset additions	$ 195,244

Debt

The District had three long-term debt instruments outstanding at year-end in the form of bonds payable totaling $12,390,000. The District retired $5.125 million in outstanding bonds during year. Following is a summary of outstanding debt balances:

	2025	2024
Unlimited tax bonds, series 2014	$ 7,010,000	$ 11,470,000
Unlimited tax bonds, series 2015	125,000	760,000
Refunding bonds, series 2016	130,000	160,000
Total	$ 7,265,000	$ 12,390,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District should continue to maintain its financial health. A budget adopted for 2025-26 reflected tax rates at $0.6769 for maintenance and operations and $0.40 for debt service. General fund revenues were budgeted at approximately $9.58 million and expenditures at approximately $9.74 million for a $152 thousand deficit. Therefore, the District expects that its general fund balance will be approximately $7.4 million at August 31, 2026.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's business office at: Falls City Independent School District, P.O. Box 399, Falls City, Texas 78113.

This page left intentionally blank.

BASIC FINANCIAL STATEMENTS

This page left intentionally blank.

EXHIBIT A-1

FALLS CITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2025

Data Control Codes		Primary Government Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	$ 356,894
1120	Current Investments	10,182,247
1220	Property Taxes - Delinquent	276,013
1230	Allowance for Uncollectible Taxes	(131,338)
1240	Due from Other Governments	260,454
1290	Other Receivables, Net	122,389
	Capital Assets:	
1510	Land	1,708,961
1520	Buildings, Net	34,395,807
1530	Furniture and Equipment, Net	546,841
1590	Infrastructure, Net	507,966
1910	Long Term Investments	264,730
1000	Total Assets	48,490,964
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred Charge for Refunding	217,314
1705	Deferred Outflow Related to TRS Pension	450,973
1706	Deferred Outflow Related to TRS OPEB	1,077,205
1700	Total Deferred Outflows of Resources	1,745,492
LIABILITIES		
2110	Accounts Payable	113,018
2140	Interest Payable	12,061
2150	Payroll Deductions and Withholdings	2,929
2160	Accrued Wages Payable	323,131
2200	Accrued Expenses	8,472
	Noncurrent Liabilities:	
2501	Due Within One Year: Loans, Note, Leases, etc.	1,847,036
	Due in More than One Year:	
2502	Bonds, Notes, Loans, Leases, etc.	7,075,546
2540	Net Pension Liability (District's Share)	1,556,536
2545	Net OPEB Liability (District's Share)	1,352,031
2000	Total Liabilities	12,290,760
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflow Related to TRS Pension	99,659
2606	Deferred Inflow Related to TRS OPEB	1,240,683
2600	Total Deferred Inflows of Resources	1,340,342
NET POSITION		
3200	Net Investment in Capital Assets and Right-to-Use Lease Assets	28,801,350
3850	Restricted for Debt Service	2,990,244
3900	Unrestricted	4,813,760
3000	Total Net Position	$ 36,605,354

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

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

Data Control Codes		1	Program Revenues 3	4	Net (Expense) Revenue and Changes in Net Position 6
		Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:					
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 4,228,731	$ 88,578	$ 396,478	$ (3,743,675)
12	Instructional Resources and Media Services	56,568	-	1,178	(55,390)
13	Curriculum and Instructional Staff Development	20,586	-	18,173	(2,413)
21	Instructional Leadership	276	-	-	(276)
23	School Leadership	387,152	-	7,297	(379,855)
31	Guidance, Counseling, and Evaluation Services	104,880	-	1,930	(102,950)
33	Health Services	69,139	-	1,253	(67,886)
34	Student (Pupil) Transportation	228,192	-	1,534	(226,658)
35	Food Services	486,546	254,751	117,859	(113,936)
36	Extracurricular Activities	532,144	34,204	3,594	(494,346)
41	General Administration	536,807	-	5,239	(531,568)
51	Facilities Maintenance and Operations	1,057,722	2,781	8,184	(1,046,757)
52	Security and Monitoring Services	145,707	-	114,673	(31,034)
53	Data Processing Services	181,016	-	2,016	(179,000)
72	Debt Service - Interest on Long-Term Debt	214,841	-	-	(214,841)
73	Debt Service - Bond Issuance Cost and Fees	4,850	-	-	(4,850)
91	Contracted Instructional Services Between Schools	3,067,472	-	-	(3,067,472)
93	Payments Related to Shared Services Arrangements	105,903	-	1,424	(104,479)
99	Other Intergovernmental Charges	174,440	-	-	(174,440)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 11,602,972	$ 380,314	$ 680,832	(10,541,826)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	8,100,935
DT	Property Taxes, Levied for Debt Service	5,988,782
SF	State Aid - Formula Grants	323,518
IE	Investment Earnings	500,287
MI	Miscellaneous Local and Intermediate Revenue	66,327
TR	Total General Revenues	14,979,849
CN	Change in Net Position	4,438,023
NB	Net Position - Beginning	32,462,787
PA	Prior Period Adjustment	(295,456)
NE	Net Position - Ending	$ 36,605,354

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

EXHIBIT C-1

FALLS CITY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	ASSETS				
1110	Cash and Cash Equivalents	$ 267,833	$ 85,623	$ 3,438	$ 356,894
1120	Investments - Current	7,337,742	2,844,505	-	10,182,247
1220	Property Taxes - Delinquent	178,869	97,144	-	276,013
1230	Allowance for Uncollectible Taxes	(92,997)	(38,341)	-	(131,338)
1240	Due from Other Governments	70,100	1,313	189,041	260,454
1260	Due from Other Funds	154,022	-	118	154,140
1290	Other Receivables	120,422	-	1,967	122,389
1000	Total Assets	$ 8,035,991	$ 2,990,244	$ 194,564	$ 11,220,799
	LIABILITIES				
2110	Accounts Payable	$ 89,030	$ -	$ 23,988	$ 113,018
2150	Payroll Deductions and Withholdings Payable	2,929	-	-	2,929
2160	Accrued Wages Payable	307,752	-	15,379	323,131
2170	Due to Other Funds	118	-	154,022	154,140
2200	Accrued Expenditures	7,297	-	1,175	8,472
2000	Total Liabilities	407,126	-	194,564	601,690
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	85,872	58,803	-	144,675
2600	Total Deferred Inflows of Resources	85,872	58,803	-	144,675
	FUND BALANCES				
	Restricted Fund Balance:				
3480	Retirement of Long-Term Debt	-	2,931,441	-	2,931,441
	Committed Fund Balance:				
3510	Construction	6,000,000	-	-	6,000,000
3600	Unassigned Fund Balance	1,542,993	-	-	1,542,993
3000	Total Fund Balances	7,542,993	2,931,441	-	10,474,434
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 8,035,991	$ 2,990,244	$ 194,564	$ 11,220,799

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

	Total Fund Balances - Governmental Funds	$	10,474,434
1	Capital assets and right-to-use leased assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $46,456,845 and the accumulated depreciation was ($8,514,298). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		25,552,547
2	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 capital outlays and debt principal payments is to increase net position. Similarly, the principal payments on right-to-use leased assets and subscription-based information technology arrangement assets (SBITA) are not expenses, rather they are decreases in the right-to-use lease liabilities and the SBITA liabilities. These payments must be reclassified and shown as reductions to these liabilities increasing net position.		5,320,244
3	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of $450,973, a deferred resource inflow in the amount of $99,659, and a net pension liability in the amount of $1,556,536. This resulted in a decrease in net position.		(1,205,222)
4	Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of $1,077,205, a deferred resource inflow in the amount of $1,240,683, and a net OPEB liability in the amount of $1,352,031. This resulted in a decrease in net position.		(1,515,509)
5	The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(978,216)
6	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(1,042,924)
29	**Net Position of Governmental Activities**	$	36,605,354

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

EXHIBIT C-3

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

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 8,869,940	$ 6,213,283	$ 254,771	$ 15,337,994
5800	State Program Revenues	605,663	63,844	134,789	804,296
5900	Federal Program Revenues	5,639	-	266,592	272,231
5020	Total Revenues	9,481,242	6,277,127	656,152	16,414,521
	EXPENDITURES:				
	Current:				
0011	Instruction	3,702,076	-	149,252	3,851,328
0012	Instructional Resources and Media Services	51,027	-	-	51,027
0013	Curriculum and Instructional Staff Development	2,083	-	18,173	20,256
0021	Instructional Leadership	276	-	-	276
0023	School Leadership	351,220	-	-	351,220
0031	Guidance, Counseling, and Evaluation Services	95,065	-	-	95,065
0033	Health Services	62,655	-	-	62,655
0034	Student (Pupil) Transportation	195,657	-	-	195,657
0035	Food Services	-	-	426,803	426,803
0036	Extracurricular Activities	472,471	-	-	472,471
0041	General Administration	480,266	-	-	480,266
0051	Facilities Maintenance and Operations	1,181,839	-	-	1,181,839
0052	Security and Monitoring Services	13,738	-	114,673	128,411
0053	Data Processing Services	198,542	-	-	198,542
	Debt Service:				
0071	Principal on Long-Term Liabilities	-	5,125,000	-	5,125,000
0072	Interest on Long-Term Liabilities	-	513,850	-	513,850
0073	Bond Issuance Cost and Fees	-	4,850	-	4,850
	Intergovernmental:				
0091	Contracted Instructional Services Between Schools	3,067,472	-	-	3,067,472
0093	Payments to Fiscal Agent/Member Districts of SSA	104,479	-	1,424	105,903
0099	Other Intergovernmental Charges	174,440	-	-	174,440
6030	Total Expenditures	10,153,306	5,643,700	710,325	16,507,331
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(672,064)	633,427	(54,173)	(92,810)
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	54,173	54,173
8911	Transfers Out (Use)	(54,173)	-	-	(54,173)
7080	Total Other Financing Sources (Uses)	(54,173)	-	54,173	-
1200	Net Change in Fund Balances	(726,237)	633,427	-	(92,810)
0100	Fund Balance - September 1 (Beginning)	8,269,230	2,298,014	-	10,567,244
3000	Fund Balance - August 31 (Ending)	$ 7,542,993	$ 2,931,441	$ -	$ 10,474,434

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

Total Net Change in Fund Balances - Governmental Funds	$	(92,810)
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 removing the current year capital outlays and debt principal payments is to increase the change net position. Similarly, current year principal payments on right-to-use leased assets and subscription-based information technology arrangements (SIBTA) are also reclassified as reductions to the right-to-use lease liability and the SBITA liability which will result in an increase in the change in net position.		5,320,244
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(978,216)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase the change in net position.		198,411
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $160,206. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling $139,612. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by $116,732. The net result was a decrease in the change in net position.		(96,138)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $37,963. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling $39,393. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by $87,962. The net result was an increase in the change in net position.		86,532
Change in Net Position of Governmental Activities	$	4,438,023

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

EXHIBIT E-1

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

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	$ 155,616
Total Assets	155,616
NET POSITION	
Restricted for Other Purposes	155,616
Total Net Position	$ 155,616

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

EXHIBIT E-2

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

	Custodial Fund
ADDITIONS:	
Miscellaneous Revenue - Student	$ 440,925
Total Additions	440,925
DEDUCTIONS:	
Supplies and Materials	434,786
Total Deductions	434,786
Change in Fiduciary Net Position	6,139
Total Net Position - September 1 (Beginning)	149,477
Total Net Position - August 31 (Ending)	$ 155,616

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Falls City Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 76**, and it complies with the requirements of the appropriate version of Texas Education Agency's ***Financial Accountability System Resource Guide*** (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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

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

The District applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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

The government-wide financial statements use 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the District to refund all or part of the unused amount.

The Proprietary Fund Types, Fiduciary Funds and Custodial Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues 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. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. 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 invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund.** The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

2. **Debt Service Fund** - The debt service fund is used to account for revenues collected to pay interest and related costs and to retire long-term debt.

Additionally, the District reports the following fund type(s):

Governmental Funds:

3. **Special Revenue Funds.** The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

4. **Custodial Funds.** The District accounts for resources held for others in a custodial capacity in custodial funds. The District's Custodial Fund is the "Falls City Student Activity Fund."

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. 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.

3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Right-to-use leases are reported in the government-wide statements with the lease liability calculated as the present value of reasonably certain expected future payments over the term of the lease. Right-to-use SBITA liabilities are reported in the government-wide statements. The SBITA liability is calculated as the present value of the reasonably certain expected payments made over the term of the contract and the interest included in the SBITA payments is recorded as an expense.

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

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the district. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

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

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Asset:	Years
Buildings and Improvements	20-50
Vehicles	5-10
Equipment	5-10
Infrastructure	10-20

Right-to-use leased assets and SBITA assets are depreciated/amortized using the straight line method over the term of the respective agreements.

6. In the fund financial statements, governmental funds report fund balance as nonspendable if the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. Restrictions of fund balance are for amounts that are restricted to specific purposes by an external entity (creditors, grantors, governmental regulations) or the restriction is imposed by law through constitutional provision or enabling legislation. Commitments of fund balance represent amounts that can only be used for specific purposes pursuant to constraints imposed by the District's board. Assignments of fund balance are amounts set aside by the District's superintendent or his designee with the intent they be used for specific purposes.

7. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

8. In general governments are required to report investments at fair value. These methods are disclosed in section III.A. below.

9. 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/expenditure) until then. Items reported as deferred outflows of resources are as follows:

Deferred charges for refunding	$ 217,314
Deferred charges related to TRS retirement	$ 450,973
Deferred charges related to TRS OPEB	$ 1,077,205

10. 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 one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. Items reported as deferred inflows of resources are as follows:

Deferred charges related to TRS retirement	$ 99,659
Deferred charges related to TRS OPEB	$ 1,240,683

11. The Data Control Codes refer to the account code structure prescribed by TEA in the ***Financial Accountability System Resource Guide***. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, the Child Nutrition Fund (which is included in the Special Revenue Funds) and the Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in RSI and the other reports are in Exhibits J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20 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. At least ten days' public notice of the meeting must be given.

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. (However, none of these were significant.)

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

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

None.

C. DEFICIT FUND EQUITY

None.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits. State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits. The District was not exposed to custodial credit risk.

Foreign Currency Risk. The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by having no deposits denominated in a foreign currency. Therefore, the District was not exposed to foreign currency risk.

As of August 31, 2025, the following are the District's cash, cash equivalents and investments (including it’s student activity fund) with respective maturities and credit rating:

Type of Deposit	Fair Value	Percent	Maturity < 1 Yr	Maturity 1-10 Yrs	Maturity > 10 Yrs	Credit Rating
Cash						
Money market and FDIC insured accounts	$ 512,510	5%	$ 512,510			N/A
Total cash	512,510	5%	512,510	0		
Current investments:						
Lone Star investment pool	8,754,057	82%	8,754,057			AAA
Municipal bonds	1,428,190	13%		1,428,190		AA
Total current investments	10,182,247	95%	8,754,057	1,428,190		
Total cash and current investments	$ 10,694,757	100%	$ 9,266,567	$ 1,428,190		

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The ***Public Funds Investment Act*** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) 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"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less 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; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) 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. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for the District are specified below:

Credit Risk. To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in commercial paper, corporate bonds or mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2025, all investments were rated AAA. Therefore, the District was not exposed to credit risk.

Custodial Credit Risk for Investments. To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent. The District was not exposed to custodial credit risk.

Concentration of Credit Risk. To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%. The District was not exposed to concentration of credit risk.

Interest Rate Risk. To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires a review of its investment portfolio at least annually to determine whether market conditions pose an inherent risk of future interest rates either rising or falling which could significantly affect investment performance.

The District was exposed to interest rate risk for its municipal bond investments. However, the District’s intent is to hold the investment to maturity at which time the payout will be at par price regardless of interest rate market conditions. The District’s belief that the current investment market conditions warrant a greater inherent risk to maintain the status quo by maintaining investments in shorter-termed maturity investment vehicles that offer little to no rate of return.

Foreign Currency Risk for Investments. The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in any foreign currency. Therefore, the District was not exposed to foreign currency risk.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. the hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

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

		Fair Value Measurements Using		
Investments by Fair Value Level:	Balance at 08/31/2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Public Funds Investment Pool:				
Lone Star investment pool	$ 8,754,057	$ 8,754,057		
Total Public Funds Investment Pool	8,754,057	8,754,057		
Debt Securities:				
Government bonds	1,428,190	1,428,190		
Total Debt Securities	1,428,190	1,428,190		
Intangible Investments:				
Mineral interests	264,730			264,730
Total Intangible Investments	264,730			264,730
Total Investments by Fair Value Level	$ 10,446,977	$ 10,182,247		$ 264,730

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investment in Pools is reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General Fund is based on historical experience in collecting property 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.

D. INTERFUND BALANCES AND TRANSFERS

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

Fund	Receivable	Payable	Purpose	Current?
General fund	$ 154,022	$ 118	Temporary advances	Yes
Nonmajor governmental funds	118	154,022	Temporary advances	Yes
Total	$ 154,140	$ 154,140		

Interfund transfers for the year ended August 31, 2025 consisted of the following individual amounts:

Fund	Transfers In	Transfers Out	Purpose
Nonmajor governmental funds	$ 54,173		Deficit transfer
General fund		54,173	Deficit transfer
Total	$ 54,173	$ 54,173	

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2025 were as follows:

	Property Taxes (net)	Other Government	Miscellaneous Receivables	Total Receivables
Governmental Activities:				
General fund	$ 85,872	$ 70,100	$ 120,422	$ 276,394
Debt service fund	58,803	1,313		60,116
Nonmajor governmental funds		189,041	1,967	191,008
Total Governmental Activities	$ 144,675	$ 260,454	$ 122,389	$ 527,518

Payables at August 31, 2025 were as follows:

	Accounts	Salaries and Benefits	Total
Governmental Activities:			
General fund	$ 89,030	$ 317,978	$ 407,008
Nonmajor governmental funds	23,988	16,554	40,542
Total Governmental Activities	$ 113,018	$ 334,532	$ 447,550

F. CAPITAL ASSET ACTIVITY

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

	Balance 8/31/2024	Additions	Disposals	Balance 8/31/2025
Governmental activities:				
Land and improvements	$ 1,708,961			$ 1,708,961
Buildings and improvements	41,273,569			41,273,569
Furniture and equipment	2,767,681	158,534		2,926,215
Infrastructure	706,634	36,710		743,344
Totals	46,456,845	195,244	0	46,652,089
Less accumulated depreciation for:				
Buildings and improvements	6,042,510	835,252		6,877,762
Furniture and equipment	2,279,395	99,979		2,379,374
Infrastructure	192,393	42,985		235,378
Total accumulated depreciation	8,514,298	978,216	0	9,492,514
Governmental activities capital assets, net	$ 37,942,547	$ (782,972)	$ 0	$ 37,159,575

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
11 - Instruction	$ 513,368
12 - Instructional resources and media services	6,873
23 - School leadership	47,307
31 - Guidance, counseling and evaluation services	12,805
33 - Health services	8,440
34 - Student (pupil) transportation	37,440
35 - Food services	57,488
36 - Extracurricular activities	63,639
41 - General administration	64,689
51 - Facilities maintenance and operations	127,073
52 - Security and monitoring services	17,296
53 - Data processing services	21,798
Total depreciation expense - governmental activities	$ 978,216

G. BONDS AND LONG-TERM NOTES PAYABLE

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

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

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/2024	Issued	Retired/ Defeased	Amounts Outstanding 8/31/2025
Bonds Payable:						
UL tax school bldg bonds, series 2014	2.0% - 5.0%	$ 34,010,000	$ 11,470,000		$ 4,460,000	$ 7,010,000
UL tax school bldg bonds, series 2015	2.0% - 5.0%	$ 2,950,000	760,000		635,000	125,000
UL tax refunding bonds, series 2016	2.0% - 4.0%	$ 6,675,000	160,000		30,000	130,000
Subtotal - Bonds Payable			12,390,000	0	5,125,000	7,265,000
Bond Premium:						
Premium, series 2014			1,103,342		222,523	880,819
Premium, series 2015			71,777		24,263	47,514
Premium, series 2016			467,551		97,406	370,145
Subtotal - Bond Premium			1,642,670	0	344,192	1,298,478
Total Long-Term Debt			$ 14,032,670	$ 0	$ 5,469,192	$ 8,563,478

Falls City ISD Unlimited Tax School Building Bonds, Series 2014 -
The bonds were issued on August 28, 2014 for the purpose to acquire, construct and equip school buildings in the District, purchase the necessary sites thereof, and purchase new school buses. The bonds were issued in accordance with Texas law. The original issue was for $34,010,000, maturing in various amounts, with a stated interest rates ranging from 2.0% - 5.0%, and maturing on August 15, 2032. Bonds due on August 15, 2031 and August 15, 2032 are callable on August 15, 2019 or on any date thereafter; the bonds having stated maturities on August 15, 2029 and August 15, 2030 are callable on August 15, 2021 or any date thereafter; and the bonds having stated maturities from August 15, 2024 through and including August 15, 2028, are callable on August 15, 2023 or any date thereafter.

Falls City ISD Unlimited Tax School Building Bonds, Series 2015 -
The bonds were issued on October 6, 2015 for the purpose to acquire, construct and equip school buildings in the District. The bonds were issued in accordance with Texas law. The original issue was for $2,950,000, maturing in various amounts, with a stated interest rates ranging from 2.0% - 4.0%, and maturing on August 15, 2035. Bonds due on or after August 15, 2026 are callable at par on August 15, 2014 or any date thereafter; the bonds having stated maturities on August 15, 2026, 2029, 2032 and 2035.

Falls City ISD Unlimited Tax Refunding Bonds, Series 2016 -
On October 25, 2016, the District issued $6,675,000 in unlimited tax refunding bonds to provide the resources to place in an escrow account for the purpose of generating resources for future debt service payments of $7,110,000 of unlimited tax school building bonds originally issued in 2014. Interest rates on the debt range from 2.0% - 4.0% and mature on August 15, 2034. As a result, the refunded bonds are considered defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the refunded debt by $264,247. This advance refunding was undertaken to reduce total debt service payments over the life of the new issue versus the refunded issue and resulted in a gross debt service savings of $1,103,885 and a net present value savings of $1,074,145. Bonds totaling $2,065,000 were defeased on August 11, 2023 for serial bonds due in 2033 and 2034. Payment of $2,149,080 was paid into escrow at the District's bond agent's bank with proceeds from the escrowed deposit to be used to service the bonds when callable in 2025. As such, the bonds are considered retired and have been removed from the liability of the District's financial statements. Bonds totaling $2,690,000 were defeased on August 15, 2024 for serial bonds due in 2030 thru 2034. Payment of $2,751,453 was paid into escrow at the District's bond agent's bank with proceeds from the escrowed deposit to be used to service the bonds when callable in 2025. As such, the bonds are considered retired and have been removed from the liability of the District's financial statements.

H. DEBT SERVICE REQUIREMENTS - BONDS AND LONG-TERM DEBT

Future debt service requirements are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2026	$ 1,765,000	$ 289,450	$ 2,054,450
2027	1,805,000	203,200	2,008,200
2028	1,820,000	148,350	1,968,350
2029	1,875,000	93,400	1,968,400
Totals	$ 7,265,000	$ 734,400	$ 7,999,400

I. DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

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

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 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.

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

The following table shows contribution rates by type of contributor for the measurement year 2024 and the contributions by type of contributions reported to TRS which were received by TRS during the current 2025 fiscal year. The reported contributions for the 2024 measurement year from the member and the employers are included in the calculation of the district's proportionate share of the net pension liability.

Contribution Rates		
	2024	2025
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%

Current fiscal year District contributions	$	160,206
Current fiscal year Member contributions	$	335,551
Measurement year NECE contributions	$	244,722

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 colleges, universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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 1.9% of the member’s salary beginning in fiscal year 2024, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Net Pension Liability. Components of the net pension liability of the plan as of August 31, 2024 are disclosed below: (From TRS Annual Comprehensive Financial Report 2024, p. 88.)

Net Pension Liability	Total
Total Pension Liability	$ 271,627,434,294
Less: Plan Fiduciary Net Position	(210,543,258,495)
Net Pension Liability	$ 61,084,175,799
Net Position as a percentage of Total Pension Liability	77.51%

Actuarial Assumptions. The total pension liability in the August 31, 2023 actuarial valuation was determined using the following assumptions: Actuarial Assumptions can be found in the TRS ACFR, page 88.

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 TRS actuarial valuation report dated November 22, 2023.

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal bond rate as of August 2024	3.87% - The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.
Last year ending August 31 in Projection Period	2123
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad hoc Post-Employment Benefit Changes	None

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

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

The long-term rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate 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 asset allocation as of August 31, 2024 (see page 56 of the 2024 TRS ACFR) are summarized below:

Asset Class[1]	Target Allocation[2] %	Long-Term Expected Geometric Real Rate of Return[3]	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18%	4.0%	1.0%
Non-U.S. Developed	13%	4.5%	0.8%
Emerging Markets	9%	4.8%	0.7%
Private Equity	14%	7.0%	1.2%
Stable Value			
Government Bonds	16%	2.5%	0.4%
Absolute Return (Including Credit Sensitive Investments)	0%	3.6%	0.0%
Stable Value Hedge Funds	5%	4.1%	0.2%
Real Return			
Real Estate	15%	4.9%	1.2%
Energy, Natural Resources and Infrastructure	6%	4.8%	0.4%
Commodities	0%	4.4%	0.0%
Risk Parity			
Risk Parity	8%	4.5%	0.4%
Asset Allocation Leverage			
Cash	2%	3.7%	0.0%
Asset Allocation Leverage	-6%	4.4%	-0.1%
Inflation Expectation			2.4%
Volatility Drag[4]			-0.7%
Expected Return	100%		7.9%

[1] *Absolute Return includes Credit Sensitive Investments.*

[2] *Target allocations are based on the FY2024 policy model.*

[3] *Capital Market Assumptions (CMA) come from 2024 SAA Study CMA Survey (as of 12/31/2023).*

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

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

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District’s proportionate share of the net pension liability	$ 2,486,182	$ 1,556,536	$ 786,258

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 1,556,536 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	$ 1,556,536
State’s proportionate share that is associated with the District	2,652,652
Total	$ 4,209,188

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

At August 31, 2024 the District's proportion of the collective net pension liability was 0.0025481821% which was a decrease of 0.0000568170% 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.

Changes in Benefits. The 2023 Texas Legislature passed Senate Bill 10 (SB10), 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 on-time stipends and $3,355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

For the year ended August 31, 2025, the District recognized pension expense of $573,380 and revenue of $317,036 for support provided by the Sate in the Government-Wide Statement of Activities.

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
Difference between expected and actual economic experiences	$ 85,794	$ 12,153
Changes in actuarial assumptions	80,367	10,775
Differences between projected and actual investment earnings	9,462	
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	115,144	76,731
Total as of August 31, 2024 measurement date	$ 290,767	$ 99,659
Contributions paid to TRS subsequent to the measurement date	160,206	
Total as of August 31, 2025 fiscal year end	$ 450,973	$ 99,659

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

Fiscal year ended August 31,	Amount
2026	$ 37,097
2027	$ 183,556
2028	$ 11,775
2029	$ (43,177)
2030	$ 1,857
Thereafter	$ 0

J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing, defined benefit other post-employment (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 benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2024 are as follows:

Net OPEB Liability:	Total
Total OPEB liability	$ 35,168,178,563
Less: plan fiduciary net position	(4,816,646,311)
Net OPEB liability	$ 30,351,532,252
Net position as a percentage of total OPEB liability	13.70%

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

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

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

TRS-Care Plan Premium Rates		
	Medicare	Non-Medicare
Retiree or surviving spouse	$ 135	$ 200
Retiree and spouse	529	689
Retiree or surviving spouse and children	468	408
Retiree and family	1,020	999

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the school. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75 percent of each active employee's pay for fiscal year 2024. The following table shows contributions to the TRS-Care plan by type of contributor as reported for the district by TRS for the TRS measurement year. The district and member contributions reported are included in the calculation of the district's proportionate share of the Net TRS-Care liability for the measurement period.

Contribution Rates		
	2024	2025
Active employee	0.65%	0.65%
Non-employer contributing entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%

Current fiscal year District contributions	$	37,963
Current fiscal year member contributions	$	26,437
Measurement year NECE contributions	$	50,700

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS-Care OPEB program). When hiring a TRS retiree, employers are required to pay 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 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	Rates of Disability
Rates of Retirement	General Inflation
Rates of Termination	Wage Inflation

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

Additional Actuarial Methods and Assumptions:

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

The initial medical trend rate was 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 years.

Discount Rate. A single discount rate of 3.87 percent was used to measure the total OPEB liability. This was an decrease of 0.26 percent 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 Buyers'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.

Sensitivity of the Net OPEB Liability:

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

	1% Decrease in Discount Rate (2.87%)	Current Single Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of net OPEB liability	$ 1,606,276	$ 1,352,031	$ 1,146,597

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	$ 1,101,028	$ 1,352,031	$ 1,679,112

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 $1,352,031 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$ 1,352,031
State's proportionate share that is associated with the District	1,694,076
Total	$ 3,046,107

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 employer's proportion of the net OPEB liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024.

At August 31, 2024 the District's proportion of the collective net OPEB liability was 0.0044545717% which was a decrease of 0.0000010703% from its proportion measured as of August 31, 2023.

Changes in Actuarial Assumptions Since the Prior Actuarial Valuation. The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability (TOL) since the prior measurement period:

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

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

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

For the year ended August 31, 2025, the District recognized OPEB expense of ($268,768) and revenue of ($220,199) 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 Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual actuarial experience	$ 259,139	$ 674,737
Changes in actuarial assumptions	173,044	441,152
Differences between projected and actual investment earnings		3,786
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	607,059	121,008
Total as of August 31, 2024 measurement date	$ 1,039,242	$ 1,240,683
Contributions paid to TRS subsequent to the measurement date	37,963	
Total as of August 31, 2025 fiscal year end	$ 1,077,205	$ 1,240,683

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

Fiscal year ended August 31,	Amount
2026	$ (82,690)
2027	$ (21,455)
2028	$ (51,484)
2029	$ (36,015)
2030	$ 10,605
Thereafter	$ (20,402)

K. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

Retiree Health Care Coverage

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health cae coverage for certain persons (and their dependents) who retire under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Texas Insurance Code Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by phoning the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet Website, www.trs.state.tx.us under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The Contribution Rate for the State was 1.25% for 2023 thru 2025. The contribution rate for the district was 0.75% for 2023 thru 2025. The contribution rate for active employees was 0.65% of the district payroll for 2023 thru 2025. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribution 1.25% for 2023 thru 2025.

Contributions. Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf to the District's employees as well as the District's required contributions and federal grant program contributions for the years ended August 31, 2025, 2024 and 2023 are as follows:

Contribution Rates and Contribution Amounts						
	Member		State		School District	
Year	Rate	Amount	Rate	Amount	Rate	Amount
2025	0.65%	$ 26,437	1.25%	$ 50,841	0.75%	$ 30,505
2024	0.65%	$ 24,431	1.25%	$ 46,982	0.75%	$ 28,190
2023	0.65%	$ 21,561	1.25%	$ 41,463	0.75%	$ 24,851

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 the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments recognized as equal revenues and expenditures by the District for the years ended August 31, 2025, 2024 and 2023 were $34,969, $19,718 and $17,214 respectively.

Active Employee Health Care Coverage

Plan Description. The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Blue Cross Blue Shield of Texas. TRS-Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

L. COMPENSATED ABSENCES

Compensated absences related to state-mandated personal leave is accruable at five personal days per annum and vests with no limit or expiration until termination of employment with the District and is payable upon use by employees at their discretion. The District also provides local personal leave that is accruable at five days per annum and vests with no limit or expiration until termination of employment with the District and is payable upon use by employees at their discretion. The liability for accrued compensate absences is included as part of long-term liabilities on the Statement of Net Position.

M. CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance (restated)	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	$ 12,390,000		$ 5,125,000	$ 7,265,000	$ 1,765,000
Bond premium	1,642,670		344,192	1,298,478	0
Compensated absences	295,456	63,648		359,104	82,036
Net pension liability	1,789,383		232,847	1,556,536	0
Net OPEB liability	985,930	366,101		1,352,031	0
Total	$ 17,103,439	$ 429,749	$ 5,702,039	$ 11,831,149	$ 1,847,036

N. UNAVAILABLE/UNEARNED REVENUE

Unavailable and unearned revenue at year-end consisted of the following:

Fund	Unavailable Revenue (levied but uncollected property taxes)
General fund	$ 85,872
Debt service fund	58,803
Total	$ 144,675

O. DUE FROM STATE AND FEDERAL AGENCIES

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. They are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Total
General fund	$ 70,100		$ 70,100
Debt service fund	1,313		1,313
Nonmajor governmental funds	163,155	25,886	189,041
Total	$ 234,568	$ 25,886	$ 260,454

P. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

Description	General Fund	Debt Service Fund	Other Governmental Funds	Total
Property taxes	$ 8,063,626	$ 5,959,192		$ 14,022,818
Penalties, interest and other tax-related income	44,966	32,405		77,371
Food sales			254,752	254,752
Investment income	305,060	221,686	19	526,765
Tuition and fees	88,579			88,579
Extracurricular student activities	34,067			34,067
Donations and local contributions	142,006			142,006
Insurance recovery	122,392			122,392
Oil & gas royalties	66,548			66,548
Other miscellaneous revenue	2,696			2,696
Total	$ 8,869,940	$ 6,213,283	$ 254,771	$ 15,337,994

Q. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

R. JOINT VENTURE SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement for Special Education services with the Goliad Special Education Co-op. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Goliad ISD, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

The District also participates in various shared service arrangements with the Education Service Center Region 20. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The Education Service Center Region 20 is the fiscal agent manager and is responsible for all financial activities of the shared service arrangement.

S. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year 2025, the District purchased commercial insurance to cover general liabilities. Additional insurance information by coverage type follows.

Property Casualty Program
The District participated in the Texas Association of School Boards Risk Management Fund (the "Fund") with coverage in auto liability, auto physical damage, general liability, property and legal liability. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. There were no significant reductions in coverage in the past fiscal year and there were not settlements exceeding insurance coverage for each of the past three years.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its auto, liability and property programs. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2025, the Fund anticipates the District has not additional liability beyond the contractual obligations for payment of contributions.

Workers' Compensation
During the year, 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 Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

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 funds those reserves. As of August 31, 2024, The Fund caries a discounted reserve of $50,247,590 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 to members beyond their contractual obligations for payment of contributions.

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

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's board of trustees in February of the following year. The Fund's audited financial statements as of August 31, 2025, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

T. GENERAL FUND FEDERAL SOURCE REVENUES

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

Program or Service	Federal Assistance Listing #	Amount
School health and related services	N/A	$ 5,639

U. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 17, 2025; the date which the financial statements were available for distribution. There were no subsequent events noted that would have a material effect on the financial statements.

V. ACCOUNTING CHANGES AND ERROR CORRECTIONS

In accordance with GASB Statement 100 related to *Accounting Changes and Error Corrections*, the following was necessary to comply with accounting changes implemented during the current fiscal year:

Description	Beginning Net Position Adjustment
Change in accounting principle related to implementation of GASB 101 accounting pronouncement for accrued compensated absences payable as presented on Exhibit B-1.	$ (295,456)
Total net change	(295,456)
Net position/fund balance - before restatement	32,462,787
Net position/fund balance - after restatement	$ 32,167,331

This page left intentionally blank.

REQUIRED SUPPLEMENTARY INFORMATION

This page left intentionally blank.

EXHIBIT G-1

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

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 9,076,168	$ 9,076,168	$ 8,869,940	$ (206,228)
5800	State Program Revenues	537,635	577,635	605,663	28,028
5900	Federal Program Revenues	10,000	10,000	5,639	(4,361)
5020	Total Revenues	9,623,803	9,663,803	9,481,242	(182,561)
	EXPENDITURES:				
	Current:				
0011	Instruction	3,792,493	3,792,493	3,702,076	90,417
0012	Instructional Resources and Media Services	51,389	51,389	51,027	362
0013	Curriculum and Instructional Staff Development	6,360	6,360	2,083	4,277
0021	Instructional Leadership	7,667	3,667	276	3,391
0023	School Leadership	360,943	365,943	351,220	14,723
0031	Guidance, Counseling, and Evaluation Services	92,899	100,399	95,065	5,334
0033	Health Services	66,532	66,532	62,655	3,877
0034	Student (Pupil) Transportation	246,044	232,044	195,657	36,387
0036	Extracurricular Activities	500,690	490,690	472,471	18,219
0041	General Administration	433,206	503,206	480,266	22,940
0051	Facilities Maintenance and Operations	1,442,765	1,257,765	1,181,839	75,926
0052	Security and Monitoring Services	162,890	38,390	13,738	24,652
0053	Data Processing Services	189,121	219,121	198,542	20,579
	Intergovernmental:				
0091	Contracted Instructional Services Between Schools	2,968,794	3,168,794	3,067,472	101,322
0093	Payments to Fiscal Agent/Member Districts of SSA	127,000	127,000	104,479	22,521
0095	Payments to Juvenile Justice Alternative Ed. Prg.	3,000	3,000	-	3,000
0099	Other Intergovernmental Charges	155,000	180,000	174,440	5,560
6030	Total Expenditures	10,606,793	10,606,793	10,153,306	453,487
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(982,990)	(942,990)	(672,064)	270,926
	OTHER FINANCING SOURCES (USES):				
8911	Transfers Out (Use)	(10,000)	(50,000)	(54,173)	(4,173)
1200	Net Change in Fund Balances	(992,990)	(992,990)	(726,237)	266,753
0100	Fund Balance - September 1 (Beginning)	8,269,230	8,269,230	8,269,230	-
3000	Fund Balance - August 31 (Ending)	$ 7,276,240	$ 7,276,240	$ 7,542,993	$ 266,753

EXHIBIT G-2

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

	Measurement Year Ended August 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.0025481821%	0.0026049991%	0.0025677094%	0.0028220715%	0.0023175077%	0.0021906103%	0.0018933746%	0.0018905440%	0.0019636773%	0.0022905000%
District's Proportionate Share of Net Pension Liability (Asset)	$ 1,556,536	$ 1,789,383	$ 1,524,383	$ 718,682	$ 1,241,210	$ 1,138,748	$ 1,042,159	$ 604,494	$ 742,044	$ 809,661
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	2,652,652	2,686,929	2,394,339	1,048,080	2,142,211	2,118,045	2,347,807	1,382,692	1,675,793	1,660,016
Total	$ 4,209,188	$ 4,476,312	$ 3,918,722	$ 1,766,762	$ 3,383,421	$ 3,256,793	$ 3,389,966	$ 1,987,186	$ 2,417,837	$ 2,469,677
District's Covered Payroll	$ 3,758,531	$ 3,317,068	$ 3,121,932	$ 3,094,677	$ 2,974,666	$ 2,786,348	$ 2,605,991	$ 2,514,621	$ 2,495,346	$ 2,560,402
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	41.41%	53.94%	48.83%	23.22%	41.73%	40.87%	39.99%	24.04%	29.74%	31.62%
Plan Fiduciary Net Position as a % of Total Pension Liability	77.51%	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

EXHIBIT G-3

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

	Fiscal Year Ended August 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	$ 160,206	$ 139,612	$ 134,651	$ 119,817	$ 120,431	$ 94,742	$ 76,592	$ 69,535	$ 62,131	$ 64,077
Contribution in Relation to Contractually Required Contribution	(160,206)	(139,612)	(134,651)	(119,817)	(120,431)	(94,742)	(76,592)	(69,535)	(62,131)	(64,077)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 4,067,281	$ 3,758,531	$ 3,317,068	$ 3,121,932	$ 3,094,677	$ 2,974,666	$ 2,786,348	$ 2,605,991	$ 2,514,621	$ 2,495,346
Contributions as a % of Covered Payroll	3.94%	3.71%	4.06%	3.84%	3.89%	3.18%	2.75%	2.67%	2.47%	2.57%

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

	Measurement Year Ended August 31,							
	2024	2023	2022	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0044545717%	0.0044535014%	0.0045669226%	0.0047457390%	0.0032587794%	0.0031468607%	0.0029740943%	0.0028061105%
District's Proportionate Share of the Net OPEB Liability (Asset)	$ 1,352,031	$ 985,930	$ 1,093,504	$ 1,830,644	$ 1,238,809	$ 1,488,191	$ 1,484,993	$ 1,220,272
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	1,694,076	1,189,676	1,333,903	2,452,654	1,664,663	1,977,470	2,276,430	2,028,810
Total	$ 3,046,107	$ 2,175,606	$ 2,427,407	$ 4,283,298	$ 2,903,472	$ 3,465,661	$ 3,761,423	$ 3,249,082
District's Covered Payroll	$ 3,758,531	$ 3,317,068	$ 3,121,932	$ 3,094,677	$ 2,974,666	$ 2,786,348	$ 2,605,991	$ 2,514,621
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	35.97%	29.72%	35.03%	59.15%	41.65%	53.41%	56.98%	48.53%
Plan Fiduciary Net Position as a % of Total OPEB Liability	13.70%	14.94%	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

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

EXHIBIT G-5

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

	Fiscal Year Ended August 31,							
	2025	2024	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 37,963	$ 39,393	$ 39,141	$ 37,510	$ 36,005	$ 24,262	$ 24,366	$ 20,597
Contribution in Relation to Contractually Required Contribution	(37,963)	(39,393)	(39,141)	(37,510)	(36,005)	(24,262)	(24,366)	(20,597)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 4,067,281	$ 3,758,531	$ 3,317,068	$ 3,121,932	$ 3,094,677	$ 2,974,666	$ 2,786,348	$ 2,605,991
Contributions as a % of Covered Payroll	0.93%	1.05%	1.18%	1.20%	1.16%	0.82%	0.87%	0.79%

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

Budget

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

a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.

c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

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

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

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level.

Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

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

Defined Benefit Pension Plan

Changes of benefit terms.

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

Changes of assumptions.

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

Other Post-Employment Benefit Plan

Changes of benefit terms.

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

Changes of assumptions.

See Footnote J page 35 for changes in assumptions that affected measurement of the total OPEB liability during the measurement period.

COMBINING SCHEDULES

FALLS CITY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA V, B,2 Rural & Low Income
	ASSETS				
1110	Cash and Cash Equivalents	$ 3,438	$ -	$ -	$ -
1240	Due from Other Governments	2,498	7,724	962	9,472
1260	Due from Other Funds	-	118	-	-
1290	Other Receivables	-	1,967	-	-
1000	Total Assets	$ 5,936	$ 9,809	$ 962	$ 9,472
	LIABILITIES				
2110	Accounts Payable	$ -	$ -	$ -	$ -
2160	Accrued Wages Payable	5,663	8,955	-	411
2170	Due to Other Funds	-	-	962	9,013
2200	Accrued Expenditures	273	854	-	48
2000	Total Liabilities	5,936	9,809	962	9,472
4000	Total Liabilities and Fund Balances	$ 5,936	$ 9,809	$ 962	$ 9,472

279 ESSER III TCLAS ARP Act	282 ESSER III ARP Act	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	410 State Instructional Materials	429 Other State Special Revenue Funds	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ 3,438
-	-	5,230	-	55,625	107,530	189,041
-	-	-	-	-	-	118
-	-	-	-	-	-	1,967
$ -	$ -	$ 5,230	$ -	$ 55,625	$ 107,530	$ 194,564
$ -	$ -	$ -	$ -	$ 2,631	$ 21,357	$ 23,988
-	-	-	-	-	350	15,379
-	-	5,230	-	52,994	85,823	154,022
-	-	-	-	-	-	1,175
-	-	5,230	-	55,625	107,530	194,564
$ -	$ -	$ 5,230	$ -	$ 55,625	$ 107,530	$ 194,564

FALLS CITY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA V, B,2 Rural & Low Income
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ 254,771	$ -	$ -
5800	State Program Revenues	-	1,250	-	-
5900	Federal Program Revenues	66,258	116,609	6,852	34,089
5020	Total Revenues	66,258	372,630	6,852	34,089
	EXPENDITURES:				
	Current:				
0011	Instruction	66,258	-	6,852	15,916
0013	Curriculum and Instructional Staff Development	-	-	-	18,173
0035	Food Services	-	426,803	-	-
0052	Security and Monitoring Services	-	-	-	-
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030	Total Expenditures	66,258	426,803	6,852	34,089
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(54,173)	-	-
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	54,173	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ -

279 ESSER III TCLAS ARP Act	282 ESSER III ARP Act	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	410 State Instructional Materials	429 Other State Special Revenue Funds	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ 254,771
-	-	-	1,424	23,885	108,230	134,789
26,340	6,444	10,000	-	-	-	266,592
26,340	6,444	10,000	1,424	23,885	108,230	656,152
26,340	6,444	2,857	-	23,885	700	149,252
-	-	-	-	-	-	18,173
-	-	-	-	-	-	426,803
-	-	7,143	-	-	107,530	114,673
-	-	-	1,424	-	-	1,424
26,340	6,444	10,000	1,424	23,885	108,230	710,325
-	-	-	-	-	-	(54,173)
-	-	-	-	-	-	54,173
-	-	-	-	-	-	-
-	-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -	$ -

This page left intentionally blank.

REQUIRED TEA SCHEDULES

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

Last 10 Years Ended August 31		(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2016	and prior years	Various	Various	$ Various
2017		1.040000	0.531000	415,064,258
2018		1.060000	0.480000	545,806,240
2019		1.060000	0.480000	598,836,951
2020		0.990000	0.480000	812,690,157
2021		0.976400	0.480000	772,377,745
2022		0.973400	0.470000	638,525,616
2023		0.864600	0.500000	945,431,564
2024		0.679200	0.500000	1,182,638,244
2025	(School year under audit)	0.676900	0.500011	1,216,529,349
1000	TOTALS			
8000	Total Taxes Refunded Under Section 26.1115, Tax Code			

(10) Beginning Balance 9/1/2024	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2025	(99) Taxes Refunded Under Section 26.1115c
$ 41,326	$	$ 115	$ 56	$	$ 41,155	
4,493		146	74		4,273	
5,829		108	49		5,672	
4,890		141	64		4,685	
16,548		823	399		15,326	
18,520		874	429		17,217	
25,997		1,505	726		23,766	
33,903		2,935	1,700	(101)	29,167	
114,977		26,651	19,620	(16,805)	51,901	
	14,321,702	8,030,329	5,936,074	(272,448)	82,851	
$ 266,483	$ 14,321,702	$ 8,063,627	$ 5,959,191	$ (289,354)	$ 276,013	

$ -

EXHIBIT J-2

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

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 210,015	$ 210,015	$ 254,771	$ 44,756
5800	State Program Revenues	9,409	9,409	1,250	(8,159)
5900	Federal Program Revenues	109,000	109,000	116,609	7,609
5020	Total Revenues	328,424	328,424	372,630	44,206
	EXPENDITURES:				
	Current:				
0035	Food Services	447,446	447,446	426,803	20,643
6030	Total Expenditures	447,446	447,446	426,803	20,643
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(119,022)	(119,022)	(54,173)	64,849
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	10,000	10,000	54,173	44,173
1200	Net Change in Fund Balances	(109,022)	(109,022)	-	109,022
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	$ (109,022)	$ (109,022)	$ -	$ 109,022

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

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 6,219,950	$ 6,219,950	$ 6,213,283	$ (6,667)
5800	State Program Revenues	-	-	63,844	63,844
5020	Total Revenues	6,219,950	6,219,950	6,277,127	57,177
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Liabilities	5,125,000	5,125,000	5,125,000	-
0072	Interest on Long-Term Liabilities	594,900	594,900	513,850	81,050
0073	Bond Issuance Cost and Fees	3,000	3,000	4,850	(1,850)
6030	Total Expenditures	5,722,900	5,722,900	5,643,700	79,200
1200	Net Change in Fund Balances	497,050	497,050	633,427	136,377
0100	Fund Balance - September 1 (Beginning)	2,298,014	2,298,014	2,298,014	-
3000	Fund Balance - August 31 (Ending)	$ 2,795,064	$ 2,795,064	$ 2,931,441	$ 136,377

FALLS CITY INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED AUGUST 31, 2025

Section A: Compensatory Education Programs

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	131824
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30)	106902

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	3007
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PIC 25)	2100

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

This page left intentionally blank.

Cameron L. Gulley
CERTIFIED PUBLIC ACCOUNTANT

P. O. Box 163
Eastland, Texas 76448
(325)669-9795
cgulley@txol.net

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

Board of Trustees
Falls City Independent School District
P.O. Box 399
Falls City, Texas 78113

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Falls City 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 my report thereon dated December 17, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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 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.

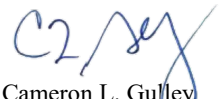
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cameron L. Gulley
Certified Public Accountant
Eastland, Texas

December 17, 2025

This page left intentionally blank.

FALLS CITY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2025

Finding	Statement of Condition	Material Weakness?	Questioned Costs
	None.		

This page left intentionally blank.

FALLS CITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2025

I. Summary of Auditor's Results

A. Financial Statements

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

B. Federal Awards

Not applicable.

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None.

III. Findings and Questioned Costs for Federal Awards

N/A.

FALLS CITY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2025

None required.