

Tatum Independent School District

Annual Financial Report

*For the Year Ended
August 31, 2025*

Malnory, McNeal & Company, PC

Certified Public Accountants

TATUM INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2025

Tatum Independent School District
Annual Financial Report
For The Year Ended August 31, 2025

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Introductory Section

CERTIFICATE OF BOARD

Tatum Independent School District
Name of School District

Panola and Rusk
County

201-910
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ✓ approved _____disapproved for the year ended August 31, 2025, at a meeting of the board of trustees of such school district on the 8th day of December, 2025.


Signature of Board Secretary


Signature of Board President

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

Financial Section



Malnory, McNeal & COMPANY, PC

ACCOUNTING • ADVISORY • ASSURANCE

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the 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, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and the schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability, and schedule of the District OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. the Schedule of Delinquent Taxes Receivable, the Budgetary Schedules required by the Texas Education Agency, the Use of Funds Report (J-4), and Schedule of Expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the introductory section, Schedule of Delinquent Taxes Receivable, Budgetary Schedules required by the Texas Education Agency, the Use of Funds Report (J-4), and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and Schedule of Required Responses to Selected First Indicators, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants

Paris, Texas
December 8, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The district's net position as of August 31, 2025 was \$29,167,592
- During the year, the district had general fund expenditures of \$16.96 million and revenues of \$17.72 million for a net gain of \$0.76 million.
- The General Fund ended the year with a fund balance of \$6.61 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

• GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the district using accounting methods like those used by private-sector companies. The Statement of Net Position includes *all* the government's assets and liabilities. All the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

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

● **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the district's most significant *funds*—not the district as a whole. Funds are accounting devices that the district uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The district has two kinds of funds:

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

-Fiduciary funds—The district is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The district is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the district's fiduciary activities are reported in a separate statement of fiduciary net assets. These activities are excluded from the district's government-wide financial statements because the district cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis of comparative balances and changes therein is inclusive of the current year's and prior year's operations. The analysis focuses on the net position (Table A-1) and changes in net position (Table A-2) of the District's governmental activities.

The district's total net position was \$29,167,592 on August 31, 2025. (See Table A-1) This is a decrease in Total Net Position of \$313,119 from the year ending August 31, 2024. The net position may, over time serve as an indicator of a district's changing financial position.

Table A-1
Tatum Independent School District's Net Position
Taken from Exhibit A-1, Statement of Net Position
(In thousands of dollars)

| | Governmental Activities | |
|--|----------------------------|---------------|
| | <u>2025</u> | <u>2024</u> |
| Assets: | | |
| Total Current Assets | \$ 11,384 | \$ 10,731 |
| Total Noncurrent Assets | 38,569 | 40,895 |
| Total Assets | <u>49,953</u> | <u>51,626</u> |
| Deferred Outflows of Resources: | | |
| Deferred Outflow Related to Pensions | 1,365 | 2,562 |
| Deferred Outflow Related to OPEB | 1,958 | 1,457 |
| Total Deferred Outflows of Resources | <u>3,323</u> | <u>4,019</u> |

Liabilities:

| | | |
|-----------------------------|--------|--------|
| Total Current Liabilities | 1,240 | 1,024 |
| Total Long-term Liabilities | 8,783 | 9,968 |
| Net Pension Liability | 5,528 | 5,021 |
| Net OPEB Liability | 3,896 | 2,977 |
| Total Liabilities | 19,447 | 18,990 |

Deferred Inflows of Resources

| | | |
|--------------------------------------|-------|-------|
| Deferred Gain on Bond Refunding | 391 | 454 |
| Deferred Inflow Related to Pensions | 190 | 464 |
| Deferred Inflow Related to OPEB | 4,080 | 5,059 |
| Total Deferred Outflows of Resources | 4,661 | 5,977 |

Net Position:

| | | |
|----------------------------|-----------|-----------|
| Invested in Capital Assets | 29,395 | 30,472 |
| Restricted | 2,498 | 4,320 |
| Unrestricted | (2,726) | (5,311) |
| Total Net Position | \$ 29,168 | \$ 29,481 |

The district's annual revenue as reported on the Government-wide statements totaled \$23.321 million, a .22% increase from the preceding year. This is comparable to what is found on Exhibit C-2--the Statement of Revenues, Expenditures, and Changes where total revenue for the district for the year is reported as \$23.321 million. As is typical, the largest portion of the district's revenue comes from state-funded programs. Local property taxes and federal grants account for the remaining significant revenue sources. The total cost of all programs and services as reported on the Government-wide statements was \$22.89 million; 38% of these costs were for instruction and instructional-related services.

Table A-2

Changes in Tatum Independent School District's Net Position
Taken from Exhibit B-1, Statement of Activities

(In thousands of dollars)

| | Governmental Activities | |
|---|----------------------------|----------|
| | 2025 | 2024 |
| Program Revenues: | | |
| Charges for Services | \$ 1,672 | \$ 1,878 |
| Operating Grants and Contributions | 2,733 | 2,784 |
| General Revenues | | |
| Property Taxes | 8,378 | 9,004 |
| State Aid – Formula | 8,445 | 7,563 |
| Investment Earnings | 383 | 459 |
| Grants and Contributions Not Restricted | 975 | 1,028 |
| Other | 139 | 259 |
| Total Revenues | 22,725 | 22,975 |
| Instruction | 10,623 | 11,650 |
| Instr Resources and Media Services | 621 | 599 |
| Curriculum & Staff Dev | 188 | 177 |
| Instructional Leadership | 279 | 298 |
| School Leadership | 1,063 | 974 |
| Guidance, Counsel & Eval Services | 1,163 | 1,051 |
| Social Work Services | -- | -- |

| | | |
|---------------------------------------|------------------|------------------|
| Health Services | 175 | 167 |
| Student (Pupil) Transportation | 709 | 673 |
| Food Services | 1,278 | 1,099 |
| Curricular/Extracurricular Activities | 1,767 | 1,755 |
| General Administration | 1,037 | 1,019 |
| Plant Maintenance & Operations | 2,934 | 2,402 |
| Security & Monitoring Services | 281 | 243 |
| Data Processing Services | 327 | 350 |
| Community Services | 34 | 28 |
| Interest and Fees on Long-term Debt | 128 | 184 |
| Bond Issuance Costs and Fees | -- | 12 |
| Capital Outlay | -- | 50 |
| Payments Related to SSA's | 243 | 306 |
| Intergovernmental Charges | 187 | 227 |
| Total Expenses | <u>23,037</u> | <u>23,264</u> |
| | | |
| Increase (Decrease) in Net Position | <u>(312)</u> | <u>(289)</u> |
| Net Position—Beginning | <u>29,480</u> | <u>29,769</u> |
| Net Position—Ending | <u>\$ 29,168</u> | <u>\$ 29,480</u> |

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

- The cost of all *governmental* activities this year was \$23 million.
- Comparatively, the amount that Tatum ISD taxpayers paid for these activities through property taxes was \$8.4 million

Table A-3
Net Cost of Selected District Functions
Taken from Exhibit B-1, Statement of Activities
(In thousands of dollars)

| | Total Cost of Services | | Net Cost of Services | |
|--|------------------------|-------------|----------------------|-------------|
| | <u>2025</u> | <u>2024</u> | <u>2025</u> | <u>2024</u> |
| Instruction | 10,623 | 11,650 | (8,898) | (10,036) |
| Plant Maintenance & Operations | 2,934 | 2,402 | (2,838) | (2,288) |
| Food Service | 1,278 | 1,099 | (158) | (73) |
| School Leadership | 1,063 | 990 | (1,004) | (952) |
| Co Curricular/Extracurricular Activities | 1,767 | 1,755 | (1,144) | (1,154) |
| Guidance, Counseling and Evaluation | 1,163 | 1,051 | (1,017) | (509) |

• FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$23.3 million, an increase of \$50,961 over the preceding year, and total costs for the district increased to \$22.9 million from the preceding year. Total expenditures exceeded total revenues by \$431,605 thousand during the year.

General Fund Budgetary Highlights

Over the course of the year, the district revised its original budget by presenting budget amendments at regularly scheduled board meetings. Amendments were made to supplement the maintenance budget and cover construction or repair costs.

● CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2025, the district had invested \$92.7 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deletions) of \$243 thousand over last year.

Table A-4

District's Capital Assets
Taken from Footnote D
(In thousands of dollars)

| | Governmental Activities | |
|-----------------------------------|----------------------------|------------------|
| | <u>2025</u> | <u>2024</u> |
| Land | \$ 1,018 | \$ 1,018 |
| Construction in Progress | -- | -- |
| Buildings and Improvements | 84,510 | 84,502 |
| Furniture and Equipment | 8,226 | 7,990 |
| Totals at Historical Cost | 92,736 | 83,510 |
| Total Accumulated Depreciation | (55,185) | (52,617) |
| Net Capital Assets | <u>\$ 38,569</u> | <u>\$ 40,893</u> |

Long-Term Debt

At year-end the district had long-term liabilities as shown in Table A-5. More detailed information about the district's long-term liabilities is presented in the notes to the financial statements.

Table A-5

District's Long-Term Liabilities
Taken from Footnote G and Exhibit A-1
(In thousands of dollars)

| | Governmental Activities | |
|-------------------------------|----------------------------|---------------|
| | <u>2024</u> | <u>2023</u> |
| Bonds Payable | \$ 8,010 | \$ 9,080 |
| Discount/Premium/Loss | 772 | 888 |
| | 8,782 | 9,968 |
| Net Pension Liability | 5,528 | 6,218 |
| Net OPEB Liability | 3,896 | 2,977 |
| Total Governmental Activities | <u>18,206</u> | <u>19,163</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- In November 2024, Tatum ISD voters approved a Voter Approved Tax Rate (VATRE) which increased the M&O tax rate to the maximum \$.17 pennies plus the compressed rate. The total tax rate for Tatum ISD was \$0.9305.
- The freeze-adjusted taxable property value used for the 2024-2025 budget preparation was \$859,403,419, which was based on 2024 certified values as well as the preliminary 2024 values provided by the Rusk County Appraisal District.

The district's 2024-2025 refined average daily attendance was 1,294 down from 1,301 for the previous year. The 2025-2026 average daily attendance is forecasted to remain consistent with 2024-2025 levels. These indicators were taken into account when preparing the budget for 2024-2025. The district adopted a budget of \$18.68 million for all board-approved funds. Amounts available for appropriation in the general fund budget were \$16.1 million, an increase of \$38 thousand from the prior year.

General fund expenditures are budgeted to be \$17.1 million for 2025-2026. The most significant expenditure, salaries, and benefits, makes up 76.6% of the total board-approved budget.

If the budgetary estimates for 2025-2026 are realized, the fund balance in the district's general fund is expected to slightly increase by the close of fiscal year 2026.

● CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. Any questions about this report or requests for additional financial information should be directed to the district's business office.

Basic Financial Statements

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

1

| Data Control Codes | | Governmental Activities |
|--|--------------------------------------|----------------------------|
| ASSETS: | | |
| 1110 | Cash and Cash Equivalents | \$ 9,636,864 |
| 1225 | Property Taxes Receivable (Net) | 735,086 |
| 1240 | Due from Other Governments | 1,010,759 |
| | Capital Assets: | |
| 1510 | Land | 1,018,454 |
| 1520 | Buildings and Improvements, Net | 35,358,076 |
| 1530 | Furniture and Equipment, Net | 2,192,573 |
| 1000 | Total Assets | <u>49,951,812</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| | Deferred Outflow Related to Pensions | 1,364,685 |
| | Deferred Outflow Related to OPEB | 1,958,187 |
| 1700 | Total Deferred Outflows of Resources | <u>3,322,872</u> |
| LIABILITIES: | | |
| 2140 | Interest Payable | 13,487 |
| 2165 | Accrued Liabilities | 1,193,881 |
| 2300 | Unearned Revenue | 32,517 |
| | Noncurrent Liabilities: | |
| 2501 | Due Within One Year | 1,035,000 |
| 2502 | Due in More Than One Year | 7,747,816 |
| 2540 | Net Pension Liability | 5,527,552 |
| 2545 | Net OPEB Liability | 3,896,440 |
| 2000 | Total Liabilities | <u>19,446,693</u> |
| DEFERRED INFLOWS OF RESOURCES: | | |
| | Deferred Revenue | 390,849 |
| | Deferred Inflow Related to Pensions | 189,535 |
| | Deferred Inflow Related to OPEB | 4,080,015 |
| 2600 | Total Deferred Inflows of Resources | <u>4,660,399</u> |
| NET POSITION: | | |
| 3200 | Net Investment in Capital Assets | 29,395,438 |
| | Restricted For: | |
| 3450 | Federal and State | 11,909 |
| 3850 | Debt Service | 2,486,528 |
| 3900 | Unrestricted | (2,726,283) |
| 3000 | Total Net Position | <u>\$ 29,167,592</u> |

The accompanying notes are an integral part of this statement.

TATUM INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2025

| Data Control Codes | Functions/Programs | 1 | 3 | 4 | Net (Expense) Revenue and Changes in Net Position |
|--------------------------|--|----------------------|-------------------------|--|--|
| | | Expenses | Charges for Services | Program Revenues Operating Grants and Contributions | Governmental Activities |
| | Governmental Activities: | | | | |
| 11 | Instruction | \$ 10,623,823 | \$ 443,635 | \$ 1,280,951 | \$ (8,899,237) |
| 12 | Instructional Resources and Media Services | 620,570 | -- | 38,947 | (581,623) |
| 13 | Curriculum and Staff Development | 188,172 | 4,353 | 6,681 | (177,138) |
| 21 | Instructional Leadership | 279,068 | 98,093 | 16,967 | (164,008) |
| 23 | School Leadership | 1,063,356 | -- | 59,590 | (1,003,766) |
| 31 | Guidance, Counseling, and Evaluation Services | 1,162,677 | 120,259 | 25,660 | (1,016,758) |
| 33 | Health Services | 175,495 | -- | 12,022 | (163,473) |
| 34 | Student Transportation | 708,889 | -- | 17,475 | (691,414) |
| 35 | Food Service | 1,278,043 | 252,900 | 867,615 | (157,528) |
| 36 | Cocurricular/Extracurricular Activities | 1,767,084 | 612,916 | 39,763 | (1,114,405) |
| 41 | General Administration | 1,037,183 | 44,089 | 51,351 | (941,743) |
| 51 | Facilities Maintenance and Operations | 2,934,152 | 26,921 | 68,750 | (2,838,481) |
| 52 | Security and Monitoring Services | 281,321 | 322 | 224,326 | (56,673) |
| 53 | Data Processing Services | 326,516 | 68,351 | 22,225 | (235,940) |
| 61 | Community Services | 33,830 | -- | 78 | (33,752) |
| 72 | Interest on Long-term Debt | 127,831 | -- | -- | (127,831) |
| 93 | Payments Related to Shared Services Arrangements | 242,549 | -- | 638 | (241,911) |
| 99 | Other Intergovernmental Charges | 186,688 | -- | -- | (186,688) |
| TG | Total Governmental Activities | <u>23,037,247</u> | <u>1,671,839</u> | <u>2,733,039</u> | <u>(18,632,369)</u> |
| TP | Total Primary Government | <u>\$ 23,037,247</u> | <u>\$ 1,671,839</u> | <u>\$ 2,733,039</u> | <u>(18,632,369)</u> |
| | General Revenues: | | | | |
| MT | Property Taxes, Levied for General Purposes | | | | 7,348,977 |
| DT | Property Taxes, Levied for Debt Service | | | | 1,029,157 |
| IE | Investment Earnings | | | | 382,550 |
| SF | State Aid-Formula Grants | | | | 8,444,688 |
| GC | Grants and Contributions Not Restricted to Specific Programs | | | | 974,829 |
| MI | Miscellaneous | | | | 139,049 |
| TR | Total General Revenues | | | | <u>18,319,250</u> |
| CN | Change in Net Position | | | | (313,119) |
| NB | Net Position - Beginning | | | | 29,480,711 |
| NE | Net Position - Ending | | | | <u>\$ 29,167,592</u> |

The accompanying notes are an integral part of this statement.

TATUM INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2025

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | Other Governmental Funds | 98 Total Governmental Funds |
|---|-----------------------|-------------------------------|--------------------------------|--------------------------------------|
| ASSETS: | | | | |
| 1110 <i>Cash and Cash Equivalents</i> | \$ 6,903,241 | \$ 2,378,367 | \$ 355,257 | \$ 9,636,865 |
| 1225 <i>Taxes Receivable, Net</i> | 594,408 | 140,678 | -- | 735,086 |
| 1240 <i>Due from Other Governments</i> | 817,529 | -- | 193,230 | 1,010,759 |
| 1260 <i>Due from Other Funds</i> | 426 | -- | 18,942 | 19,368 |
| 1000 Total Assets | <u>8,315,604</u> | <u>2,519,045</u> | <u>567,429</u> | <u>11,402,078</u> |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| 2160 <i>Accrued Wages Payable</i> | \$ 1,031,620 | \$ -- | \$ 82,474 | \$ 1,114,094 |
| 2170 <i>Due to Other Funds</i> | 10,760 | -- | 8,608 | 19,368 |
| 2200 <i>Accrued Expenditures</i> | 74,043 | -- | 5,744 | 79,787 |
| 2300 <i>Unearned Revenue</i> | -- | 32,517 | -- | 32,517 |
| 2000 Total Liabilities | <u>1,116,423</u> | <u>32,517</u> | <u>96,826</u> | <u>1,245,766</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| <i>Deferred Revenue</i> | 594,408 | 140,678 | -- | 735,086 |
| 2600 Total Deferred Inflows of Resources | <u>594,408</u> | <u>140,678</u> | <u>--</u> | <u>735,086</u> |
| FUND BALANCES: | | | | |
| Restricted Fund Balances: | | | | |
| 3450 <i>Federal/State Funds Grant Restrictions</i> | -- | -- | 11,909 | 11,909 |
| 3480 <i>Retirement of Long-Term Debt</i> | -- | 2,345,850 | -- | 2,345,850 |
| 3490 <i>Other Restrictions of Fund Balance</i> | -- | -- | 214,718 | 214,718 |
| Committed Fund Balances: | | | | |
| 3545 <i>Other Committed Fund Balance</i> | -- | -- | 243,976 | 243,976 |
| 3600 Unassigned | <u>6,604,773</u> | <u>--</u> | <u>--</u> | <u>6,604,773</u> |
| 3000 Total Fund Balances | <u>6,604,773</u> | <u>2,345,850</u> | <u>470,603</u> | <u>9,421,226</u> |
| 4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances | <u>\$ 8,315,604</u> | <u>\$ 2,519,045</u> | <u>\$ 567,429</u> | <u>\$ 11,402,078</u> |

The accompanying notes are an integral part of this statement.

TATUM INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2025*

| | |
|--|----------------------|
| Total fund balances - governmental funds balance sheet | \$ 9,421,226 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not reported in the funds. | 38,569,103 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | 735,086 |
| Payables for bond principal which are not due in the current period are not reported in the funds. | (8,010,000) |
| Payables for bond interest which are not due in the current period are not reported in the funds. | (13,487) |
| Other long-term liabilities which are not due and payable in the current period are not reported in the funds. | (772,817) |
| The deferred gain on refunding of debt is not reported in the funds. | (390,849) |
| Deferred Resource Inflows related to OPEB plan are not reported in the funds. | (4,080,015) |
| Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds. | (3,896,440) |
| Deferred Resource Outflows related to the OPEB plan are not reported in the funds. | 1,958,187 |
| Recognition of the District's proportionate share of the net pension liability is not reported in the funds. | (5,527,552) |
| Deferred Resource Inflows related to the pension plan are not reported in the funds. | (189,535) |
| Deferred Resource Outflows related to the pension plan are not reported in the funds. | 1,364,685 |
| Net position of governmental activities - Statement of Net Position | <u>\$ 29,167,592</u> |

The accompanying notes are an integral part of this statement.

TATUM 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 Governmental Funds | 98 Total Governmental Funds |
|---|-----------------------|-------------------------------|--------------------------------|--------------------------------------|
| REVENUES: | | | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ 7,792,988 | \$ 1,156,442 | \$ 1,617,635 | \$ 10,567,065 |
| 5800 <i>State Program Revenues</i> | 9,887,773 | 114,488 | 350,974 | 10,353,235 |
| 5900 <i>Federal Program Revenues</i> | 43,141 | -- | 2,358,124 | 2,401,265 |
| 5020 Total Revenues | <u>17,723,902</u> | <u>1,270,930</u> | <u>4,326,733</u> | <u>23,321,565</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 <i>Instruction</i> | 8,531,439 | -- | 1,624,854 | 10,156,293 |
| 0012 <i>Instructional Resources and Media Services</i> | 576,347 | -- | -- | 576,347 |
| 0013 <i>Curriculum and Staff Development</i> | 166,895 | -- | 5,485 | 172,380 |
| 0021 <i>Instructional Leadership</i> | 151,350 | -- | 123,417 | 274,767 |
| 0023 <i>School Leadership</i> | 984,795 | -- | -- | 984,795 |
| 0031 <i>Guidance, Counseling, and Evaluation Services</i> | 441,867 | -- | 716,865 | 1,158,732 |
| 0033 <i>Health Services</i> | 163,801 | -- | -- | 163,801 |
| 0034 <i>Student Transportation</i> | 612,192 | -- | -- | 612,192 |
| 0035 <i>Food Service</i> | -- | -- | 1,182,453 | 1,182,453 |
| 0036 <i>Cocurricular/Extracurricular Activities</i> | 1,163,916 | -- | 505,562 | 1,669,478 |
| 0041 <i>General Administration</i> | 857,315 | -- | 55,462 | 912,777 |
| 0051 <i>Facilities Maintenance and Operations</i> | 2,550,981 | -- | 33,889 | 2,584,870 |
| 0052 <i>Security and Monitoring Services</i> | 77,527 | -- | 213,976 | 291,503 |
| 0053 <i>Data Processing Services</i> | 227,970 | -- | 86,016 | 313,986 |
| 0061 <i>Community Services</i> | 29,681 | -- | -- | 29,681 |
| 0071 <i>Principal on Long-term Debt</i> | -- | 1,070,000 | -- | 1,070,000 |
| 0072 <i>Interest on Long-term Debt</i> | -- | 307,750 | -- | 307,750 |
| 0093 <i>Payments to Shared Service Arrangements</i> | 242,549 | -- | -- | 242,549 |
| 0099 <i>Other Intergovernmental Charges</i> | 186,688 | -- | -- | 186,688 |
| 6030 Total Expenditures | <u>16,965,313</u> | <u>1,377,750</u> | <u>4,547,979</u> | <u>22,891,042</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 Expenditures | <u>758,589</u> | <u>(106,820)</u> | <u>(221,246)</u> | <u>430,523</u> |
| 1200 Net Change in Fund Balances | <u>758,589</u> | <u>(106,820)</u> | <u>(221,246)</u> | <u>430,523</u> |
| 0100 Fund Balances - Beginning | <u>5,846,184</u> | <u>2,452,670</u> | <u>691,849</u> | <u>8,990,703</u> |
| 3000 Fund Balances - Ending | <u>\$ 6,604,773</u> | <u>\$ 2,345,850</u> | <u>\$ 470,603</u> | <u>\$ 9,421,226</u> |

The accompanying notes are an integral part of this statement.

TATUM INDEPENDENT SCHOOL DISTRICT

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

| | | | |
|--|-----------|----|------------------|
| Net change in fund balances - total governmental funds | | \$ | 430,523 |
| Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because: | | | |
| Capital outlays are not reported as expenses in the SOA. | | | 242,685 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | | | (2,568,119) |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | | | 4,507 |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | | | 1,070,000 |
| (Increase) decrease in accrued interest from beginning of period to end of period. | | | 1,141 |
| Unamortized gain on defeasance of debt amortized in the SOA. | | | 63,477 |
| Bonds premiums are reported in the funds but not in the SOA, current year amortization. | | | 115,299 |
| Other post employment benefit related transactions: | | | |
| Contributions made after the measurement date are de-expended. | 109,475 | | |
| Contributions made before the measurement date and during the previous year. | (116,688) | | |
| The Districts proportionate share of the TRS OPEB expense. | 567,527 | | |
| Net Effect of GASB 75 OPEB Recognition | | | 560,314 |
| Pension benefit related transactions: | | | |
| Contributions made after the measurement date are de-expended. | 484,724 | | |
| Contributions made before the measurement date and during the previous year. | (512,272) | | |
| The Districts proportionate share of the TRS pension expense. | (205,398) | | |
| Net Effect of GASB 68 Pension Recognition | | | (232,946) |
| Change in net position of governmental activities - Statement of Activities | | \$ | <u>(313,119)</u> |

The accompanying notes are an integral part of this statement.

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

| Data Control Codes | | Custodial Funds |
|--------------------------|--------------------------------------|--------------------|
| | ASSETS: | |
| 1110 | <i>Cash and Cash Equivalents</i> | \$ 27,684 |
| 1000 | Total Assets | <u>27,684</u> |
| | NET POSITION: | |
| 3800 | <i>Restricted for Other Purposes</i> | 27,684 |
| 3000 | Total Net Position | <u>\$ 27,684</u> |

The accompanying notes are an integral part of this statement.

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

| | Custodial Funds |
|---|--------------------|
| ADDITIONS: | |
| Student Group Fundraising Activities | \$ 86,975 |
| Student Group Fees / Dues | -- |
| Contributions from Gifts and Bequests | -- |
| Total Additions | <u>86,975</u> |
| DEDUCTIONS: | |
| Supplies | 88,219 |
| Events / Awards | -- |
| Total Deductions | <u>88,219</u> |
| Change in Fiduciary Net Position | (1,244) |
| Net Position-Beginning of the Year | 28,928 |
| Net Position-End of the Year | <u>\$ 27,684</u> |

The accompanying notes are an integral part of this statement.

TATUM INDEPENDENT SCHOOL DISTRICT

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

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

TATUM INDEPENDENT SCHOOL DISTRICT

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

In addition, the District reports the following fund types:

Special Revenue Funds: These funds account for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods

The District's Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) The General Fund subsidizes the Food Service Program for all expenditures required in excess of NSLP and user fees, and (3) The District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.

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

Custodial Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity.

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

TATUM INDEPENDENT SCHOOL DISTRICT

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

3. Financial Statement Amounts

a. 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 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 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon 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.

b. Inventories

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

c. Capital Assets

Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life more than two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|---------------------------|--------------------------------------|
| Infrastructure | 30 |
| Buildings | 50 |
| Building Improvements | 20 |
| Vehicles | 2-15 |
| Office Equipment | 3-15 |
| Computer Equipment | 3-15 |

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide statement of net position and governmental funds balance sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

TATUM INDEPENDENT SCHOOL DISTRICT

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

In addition to liabilities, the statements 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. Receivable and Payable Balances

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

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

f. Interfund Activity

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

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

h. Data Control Codes

Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide* and appears in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees.

TATUM INDEPENDENT SCHOOL DISTRICT

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

Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

Fund Balance Policy - In an effort to provide adequate cash flow for operations, maintain a strong credit rating, and plan for unanticipated extraordinary costs, the District shall strive to maintain in the general fund an unassigned fund balance of at least two months operations.

j. Net Position Flow Assumption

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

k. Fund Balance Flow Assumptions

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

The District does not have a policy to pay any amounts when employees separate from service with the district; therefore, there is no liability for unpaid accumulated sick leave.

4. 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' fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the

TATUM INDEPENDENT SCHOOL DISTRICT

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

benefit terms. Investments are reported at fair value.

5. Other Post-Employment Benefits

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' fiduciary net position. Benefit payments (including refunds of employee contributions) 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.

6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 101, Compensated Absences

In the current fiscal year, the District implemented GASB Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability for certain types of compensated absences – including parental leave, military leave, and jury duty leave – should not be recognized until the leave commences. A liability for specific types of compensated absences should not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirements to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

The requirements of the Statement are effective for fiscal year beginning after December 15, 2023 and for all reporting periods thereafter.

GASB Statement No. 102, Certain Risk Disclosures

In the current fiscal year, the District implemented GASB Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

TATUM INDEPENDENT SCHOOL DISTRICT

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

The District has reviewed this Statement and determined the provisions of this GASB statement are not applicable to the governmental entity and therefore do not affect its financial statements.

7. Compensated Absences

The State of Texas has created a minimum personal leave program consisting of five days per year leave with no limit on accumulation and transferability among districts for every teacher regularly employed in Texas public schools.

The District's local Board of Education is required to establish a leave plan. Local school districts may provide additional leave beyond the state minimum. The District provides an additional five, five and one-half, and six days each year for their ten, eleven, and twelve-month employees, respectively. Employees can carry over up to 40 local days.

As of the year ended August 31, 2025 no liability for compensated absences has been recognized because the criteria for recognition under GASB Statement 101 has not been met.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

| <u>a.</u> | <u>Violation</u> | <u>Action Taken</u> |
|-----------|--|---------------------|
| | Exceeds the Budget in Function 11 by \$385,353 | Under Consideration |
| | Exceeds the Budget in Function 23 by \$15,857 | Under Consideration |
| | Exceeds the Budget in Function 36 by \$123,426 | Under Consideration |
| | Exceeds the Budget in Function 51 by \$124,885 | Under Consideration |

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

| <u>Fund Name</u> | <u>Deficit Amount</u> | <u>Remarks</u> |
|------------------|-----------------------|----------------|
| None reported | Not applicable | Not applicable |

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

1. Cash Deposits

At August 31, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$9,664,548 and the bank balance was \$9,794,643. The District's cash deposits at August 31, 2025 and during the year ended August 31, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

TATUM INDEPENDENT SCHOOL DISTRICT

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

2. Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

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

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

| <u>Investments or Investment Type</u> | <u>Maturity</u> | <u>Fair Value</u> |
|---------------------------------------|-----------------|-------------------|
| None | N/A | \$ -- |
| Total Investments | | \$ -- |

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District requires investments to be made in a manner that ensures the

TATUM INDEPENDENT SCHOOL DISTRICT

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

preservation of capital in the overall portfolio, and offsets during the 12-month period any market prices losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District requires any internally created pool fund group of the District to have a maximum of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District may not exceed one year from the time of purchase. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

D. Capital Assets

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|---------------|-----------|--------------------|
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ 1,018,454 | \$ -- | \$ -- | \$ 1,018,454 |
| Construction in Progress | -- | -- | -- | -- |
| Total Capital assets not being depreciated | 1,018,454 | -- | -- | 1,018,454 |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings and improvements | 84,502,933 | 7,138 | -- | 84,510,071 |
| Equipment & Furniture | 7,990,195 | 235,547 | -- | 8,225,742 |
| Total Capital Assets being depreciated | 92,493,128 | 242,685 | -- | 92,735,813 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (46,897,247) | (2,254,748) | -- | (49,151,995) |
| Equipment & Furniture | (5,719,798) | (313,371) | -- | (6,033,169) |
| Total accumulated depreciation | (52,617,045) | (2,568,119) | -- | (55,185,164) |
| Total capital assets being depreciated, net | 39,876,083 | (2,325,434) | -- | 37,550,649 |
| Governmental activities capital assets, net | \$ 40,894,537 | (\$2,325,434) | \$ -- | \$ 38,569,103 |

TATUM INDEPENDENT SCHOOL DISTRICT

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

Depreciation was charged to functions as follows:

| | | | |
|----|---|----|------------------|
| 11 | Instruction | \$ | 1,193,857 |
| 12 | Instructional Resource/Media Serv | | 80,526 |
| 13 | Curriculum and Staff Development | | 23,318 |
| 21 | Instructional Leadership | | 21,146 |
| 23 | School Leadership | | 136,985 |
| 31 | Guidance, Counseling, & Evaluation Services | | 62,336 |
| 33 | Heath Services | | 22,886 |
| 34 | Student Transportation | | 164,952 |
| 35 | Food Services | | 179,529 |
| 36 | Extracurricular Services | | 162,621 |
| 41 | General Administration | | 127,532 |
| 51 | Facilities Maintenance and Operations | | 356,420 |
| 53 | Data Processing Services | | 31,862 |
| 61 | Community Services | | 4,149 |
| | | \$ | <u>2,568,119</u> |

E. Interfund Balances and Activities

1. Due to and From Other Funds

Balances due to and due from other funds at August 31, 2025, consisted of the following:

| Due to Fund | Due from Fund | Amount | Purpose |
|-----------------|-----------------|-----------------|---|
| General Fund | Special Revenue | 426 | Cover funds that are due from the State |
| Special Revenue | Special Revenue | 1,604 | Move expenditures |
| Special Revenue | General Fund | 10,760 | Reimburse Expenses |
| Special Revenue | Special Revenue | 6,578 | Reimburse Expenses |
| | Total | <u>\$19,368</u> | |

All amounts due are scheduled to be repaid within one year.

2. Transfer To and From Other Funds

There were no transfers at the end of fiscal year August 31, 2025.

F. Short-Term Debt Activity

In the event that the District would have any short-term debts for maintenance purposes they would be accounted for through the General Fund. The proceeds from loans would be shown in the financial statements as Other Resources. The District had no short-term loans.

G. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

TATUM INDEPENDENT SCHOOL DISTRICT

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2025, are as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|-------------------------------|----------------------|------------|--------------|-------------------|-----------------------------------|
| Bonds | \$ 9,080,000 | \$ -- | \$ 1,070,000 | \$ 8,010,000 | 1,035,000 |
| Issuance of premiums | 888,115 | -- | 115,299 | 772,816 | -- |
| Total | 9,968,115 | -- | 1,185,299 | 8,782,816 | 1,035,000 |
| Net Pension Liability | 6,217,974 | -- | 690,422 | 5,527,552 | -- |
| Net OPEB Liability | 2,976,827 | 919,613 | -- | 3,896,440 | -- |
| Total Governmental Activities | \$ 19,162,916 | \$ 919,613 | \$ 1,875,721 | \$ 18,206,808 | 1,035,000 |

2. Debt Services Requirements

Debt Service requirements at August 31, 2025, are as follows:

Governmental Activities

| Year Ending August 31, | Bonds | |
|------------------------|-----------|----------|
| | Principal | Interest |
| 2026 | 1,035,000 | 259,050 |
| 2027 | 1,065,000 | 218,050 |
| 2028 | 1,110,000 | 176,550 |
| 2029 | 1,280,000 | 131,050 |
| 2030 | 1,500,000 | 83,975 |
| 2031 – 2032 | 2,020,000 | 30,800 |
| Total | 8,010,000 | 899,475 |

| Original Issue Amount | Description | Interest Rate % | Range of Maturities | Debt Outstanding |
|-----------------------------|---|--------------------|------------------------|---------------------|
| \$ 6,450,764 | Unltd. Tax School Building & Ref Bonds, Series 2019 | 2.00 – 4.00 | 2019-32 | \$ 310,000 |
| 1,510,000 | Unltd Tax School Building & Ref Bonds, Series 2021 | 2.00 – 4.00 | 2022-32 | 1,510,000 |
| 114,084,000 | Unltd Tax School Building & Ref Bonds, Series 2016 | 2.00- 4.00 | 2016-31 | 6,190,000 |
| | Total long-term debt payable | | | 8,010,000 |
| | Less current portion | | | (1,035,000) |
| | Plus unamortized premiums on issuance | | | 772,816 |
| | Total Long-Term Portion of Debt | | | 8,737,816 |

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

During the previous fiscal year, the district used \$805,267 of its resources to defease \$790,000 of the Unlimited Tax Refunding Bond Series 2016 by placing these funds with an escrow agent. The escrow agent invested the funds in United States Treasury Securities- State and Local Government Series (the 'SLGS'), which by 2/15/25 resulted in the available cash to pay the principal and interest of \$825,550. The District had previously defeased some of the 2016 Series as well as some of the 2019 Series. The escrow agent did pay off the defeased bonds on 2/15/2025. There are no outstanding balance of the defeased bonds at year end.

TATUM INDEPENDENT SCHOOL DISTRICT

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

The District also has an outstanding line of credit in the amount of \$2,000,000. There was no outstanding borrowing against the line of credit as of August 31, 2025.

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

I. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

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

TATUM INDEPENDENT SCHOOL DISTRICT

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

One-Time Stipends

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

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

Cost of Living Adjustment

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 the manner are determined by the System's actuary.

4. Contributions

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

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

Contributions and Rates

| | <u>2024</u> | <u>2025</u> |
|---|--------------------|--------------------|
| Member | 8.25% | 8.25% |
| Non-Employer Contributing Entity (NECE – State) | 8.25% | 8.25% |
| Employers | 8.25% | 8.25% |
| District Employer Contributions | \$ | 484,724 |
| District Member Contributions | \$ | 1,004,258 |
| NECE On-Behalf Contributions to District | \$ | 685,478 |

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund

TATUM INDEPENDENT SCHOOL DISTRICT

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

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.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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

5. Actuarial Assumptions

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

| | |
|---|---|
| Valuation Date | August 31, 2023, rolled forward to August 31, 2024. |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Fair Value |
| Single Discount Rate | 7.00% |
| Long-term Expected Investment Rate of Return | 7.00% |
| Municipal Bond Rate as of August 2022 | 3.87% |
| 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 |

*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 rates.

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

6. Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on the pension plan investments of 7.00%. The

TATUM INDEPENDENT SCHOOL DISTRICT

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

projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.54% of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

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

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

| Asset Class* | Target Allocation ** | Long-Term Expected Geometric Real Rate of Return*** | Expected Contribution To Long-Term Portfolio Returns |
|---|----------------------|---|--|
| Global Equity | | | |
| U.S.A. | 18.0 % | 4.4 % | 1.0 % |
| Non-U.S. Developed | 13.0 | 4.2 | 0.8 |
| Emerging Markets | 9.0 | 5.2 | 0.7 |
| Private Equity* | 14.0 | 6.7 | 1.2 |
| Stable Value | | | |
| Government Bonds | 16.0 | 1.9 | 0.4 |
| Absolute Return* | 0.0 | 4.0 | 0.0 |
| Stable Value Hedge Funds | 5.0 | 3.0 | 0.2 |
| Real Return | | | |
| Real Estate | 15.0 | 6.6 | 1.2 |
| Energy & Natural Resources and Infrastructure | 6.0 | 5.6 | 0.4 |
| Commodities | 0.0 | 2.5 | 0.0 |
| Risk Parity | 8.0 | 4.0 | 0.4 |
| Asset Allocation Leverage | | | |
| Cash | 2.0 | 1.0 | 0.0 |
| Asset Allocation Leverage | (6.0) | 1.3 | (0.1) |
| Inflation Expectation | -- | | 2.4 |
| Volatility Drag **** | -- | | (0.7) |
| Expected Return | 100.0 % | | 7.9 % |

* Absolute Return includes Credit Sensitive Investments.

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

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

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

TATUM INDEPENDENT SCHOOL DISTRICT

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

7. Discount Rate Sensitivity Analysis

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

| | 1% Decrease in Discount Rate (6.00%) | Discount Rate (7.00%) | 1% Increase in Discount Rate (8.00%) |
|---|---|-----------------------------|---|
| District's Proportionate Share of the Net Pension Liability | \$ 8,828,900 | \$ 5,527,552 | \$ 2,792,149 |

8. 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 \$5,527,552 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 | \$ 5,527,552 |
| State's Proportionate Share that is Associated with District | \$ <u>7,430,209</u> |
| Total | \$ <u>12,957,761</u> |

The net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's portion 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 through August 31, 2024.

At August 31, 2024 the employer's proportion of the collective net pension liability was 0.0090490728%, which was a decrease of -0.0000031071% from its proportion measured as of August 31, 2023.

Changes Since the Prior Actuarial Valuation -

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

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

For the year ended August 31, 2025, the District recognized pension expense of \$1,605,704 and revenue of \$888,034 for support provided by the State.

TATUM INDEPENDENT SCHOOL DISTRICT

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

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Actuarial Experience | \$ 304,671 | \$ 43,156 |
| Changes in Actuarial Assumptions | 285,399 | 38,262 |
| Difference Between Projected and Actual Investment Earnings | 33,600 | -- |
| Changes in Proportion and Difference Between The District's Contributions and the Proportionate Share of Contributions | 256,291 | 108,117 |
| Total as of August 31, 2024 Measurement Date | 879,961 | 189,535 |
| Contributions Paid to TRS Subsequent to the Measurement Date | 484,724 | -- |
| Total as of fiscal year-end | \$ 1,364,685 | \$ 189,535 |

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:

| Year Ended August 31 | Pension Expense Amount |
|----------------------|------------------------|
| 2026 | \$ 10,981 |
| 2027 | \$ 646,367 |
| 2028 | \$ 124,710 |
| 2029 | \$ (110,067) |
| 2030 | \$ 18,435 |
| Thereafter | \$ -- |

J. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

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

2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at

TATUM INDEPENDENT SCHOOL DISTRICT

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

<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.

3. Benefits Provided

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

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

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

TRS-Care Monthly Premium Rates

| | Medicare | Non-Medicare |
|-----------------------|----------|--------------|
| Retiree * | \$ 135 | \$ 200 |
| Retiree and Spouse | 529 | 689 |
| Retiree* and Children | 468 | 408 |
| Retiree and Family | 1,020 | 999 |
| * or Surviving Spouse | | |

4. Contributions

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

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

| | Contribution Rates | |
|---|--------------------|-------|
| | 2024 | 2025 |
| Active Employee | 0.65% | 0.65% |
| Non-Employer Contributing Entity (NECE) – 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 | \$ 109,475 | |
| Current Fiscal year Member Contributions | \$ 79,127 | |

TATUM INDEPENDENT SCHOOL DISTRICT

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

2024 Measurement year NECE Contributions \$ 146,112

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

5. 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 of the OPEB plan, offered through TRS-Care, is similar to the actuarial valuations 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 August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

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

Additional Actuarial Methods and Assumptions:

| | |
|--------------------------------|--|
| Valuation Date | August 31, 2023, rolled to August 31, 2024 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Single Discount Rate | 3.87% as of August 31, 2024 |
| Aging Factors | Based the Society of Actuaries' 2013 Study "Health Care Costs – From Birth to Death" |
| Election Rates | Normal Retirement: 65% participation rate prior to age 65 and 40% participation rate after age 65. Pre-65 retirees: 25% are assumed to discontinue coverage at age 65. |
| 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 * |
| Healthcare Trend Rates | Initial medical trend rates were 6.75% for 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. Initial prescription drug trend rate of 7.25% for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 11 years. |
| Ad Hoc Post-Employment Changes | None |

The initial medical trend rate was 6.75% 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% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 11 years

TATUM INDEPENDENT SCHOOL DISTRICT

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

6. Discount Rate

A single discount rate of 3.87% was used to measure the total OPEB liability. There was an decrease of 0.26% in the discount rate since the previous year.

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

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

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact on the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used 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 | \$ 4,629,153 | \$ 3,896,440 | \$ 3,304,397 |

8. Healthcare Cost Trend Rates Sensitivity Analysis

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

| | 1% Decrease in Healthcare Trend Rate | Current Healthcare Cost Trend Rate | 1% Increase in Healthcare Trend Rate |
|---|--|--|--|
| District's Proportionate Share of Net OPEB Liability | \$ 3,173,072 | \$ 3,896,440 | \$ 4,839,061 |

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

At August 31, 2025, the District reported a liability of \$3,896,440 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 | \$ 3,896,440 |
| State's Proportionate Share that is Associated with the District | <u>\$ 4,882,187</u> |
| Total | <u>\$ 8,778,627</u> |

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

TATUM INDEPENDENT SCHOOL DISTRICT

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

At August 31, 2024 the District's proportion of the collective net OPEB liability was 0.0128377050% which was an increase (decrease) of -0.0006087960% from its proportion measured as of August 31, 2023.

10. Changes Since the Prior Actuarial Valuation

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

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

Changes of Benefit Terms Since the Prior Measurement Date

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

For the year ended August 31, 2025, the District recognized OPEB expense of (\$1,085,441) and revenue of (\$634,594) for support by the states.

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 Economic Experience | \$ 746,817 | \$ 1,944,535 |
| Changes in Actuarial Assumptions | 498,698 | 1,271,363 |
| Differences between Projected and Investment Earnings | -- | 10,911 |
| Changes in Proportion and Difference Between the District's Contributions And the Proportionate Share of Contributions | 603,197 | 853,206 |
| Total as of August 31, 2024 Measurement Date | 1,848,712 | 4,080,015 |
| Contributions Paid to TRS Subsequent to the Measurement Date | 109,475 | -- |
| Total as of fiscal year-end | \$ 1,958,187 | \$ 4,080,015 |

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:

| Year Ended August 31 | Pension Expense Amount |
|----------------------|------------------------|
| 2026 | \$ (552,336) |
| 2027 | \$ (375,861) |
| 2028 | \$ (545,705) |
| 2029 | \$ (374,010) |
| 2030 | \$ (268,696) |
| Thereafter | \$ (114,695) |

11. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, 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 Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments

TATUM INDEPENDENT SCHOOL DISTRICT

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

from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2025, 2024, and 2023, the subsidy payments received by TRS-Care on behalf of the District were \$88,287, \$66,746, and \$65,680, respectively.

K. Employee Health Care Coverage

During the year ended August 31, 2025, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$484 per pay period per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable and terms of coverage and premium costs are included in the contractual provisions.

The latest financial statements are available for the year ended August 31, 2025, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

L. Workers' Compensation Coverage

The District joined together with other districts in the East Texas area to form the Texas Educational Insurance Association, a public entity risk pool currently operating a workers' compensation risk management and insurance program for various member school districts. During the 2024-2025 school year, the District paid a fixed cost in the amount of \$32,719 for the administration of claims, loss control, recordkeeping, and the cost of stop-loss insurance.

Total workers' compensation claims and loss funding sharing payments were (\$8,196) for the year. The District may be required to pay and retains the risk of loss for workers' compensation claims up to its loss maximum. When and if schools in the Association exceed their loss fund maximum, the District will be required to pay a percentage share of the excess. A reconciliation of claims activity for the past fiscal year is provided below:

| | Beginning Balance | Claims Incurred | Claims Paid | Ending Balance |
|----------------------------|----------------------|--------------------|----------------|-------------------|
| Year ended August 31, 2025 | \$ 66,461 | \$ (8,196) | \$ (6,169) | \$ 52,096 |

Unemployment Compensation

During the year, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund as 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 each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool.

M. Rental & Operating Leases

The District has a copier lease that began in September 2022, which will end in September 2027. The monthly lease expense for the copiers in the fiscal year was \$3,348 per month. The District

TATUM INDEPENDENT SCHOOL DISTRICT

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

also leases a postage meter for five years beginning September 2022 and ending September 2027 for \$487 per month.

The District, as the fiscal agent, leases office space on behalf of the Rusk County Shared Service Arrangement on a month-to-month basis while awaiting completion of its permanent building. This lease is classified as a short-term lease under GASB Statement No. 87 and is not recognized as a lease liability or right-of-use asset. Lease payments are recognized as expenses when incurred.

The future lease payments at August 2025 are as follows:

| | | Copiers | | Postage Meter | | Total |
|-------|----|---------|----|---------------|----|--------|
| 2026 | \$ | 40,174 | | 5,841 | \$ | 46,015 |
| 2027 | | 34,695 | | 5,841 | | 40,356 |
| Total | \$ | 74,869 | \$ | 11,682 | \$ | 86,551 |

Total lease expense (including operating leases noted above) amounted to \$42,314 in 2025.

The District has determined reporting of these leases under GASB 87, Leases would not be cost-effective as the net effect to the financials would be immaterial.

N. Unavailable Revenue

Unavailable revenue at year end consisted of the following:

| | | General Fund | | Debt Service Fund |
|--------------------------------------|----|-----------------|----|----------------------|
| Unavailable Revenue – Property Taxes | \$ | 594,408 | \$ | 140,678 |

O. Due from other Governments

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

| Fund | | Grants and Entitlements |
|----------------------|----|----------------------------|
| General Fund | \$ | 817,529 |
| Special Revenue Fund | | 193,230 |
| Total | \$ | 1,010,759 |

P. Shared Service Arrangement

The district is the fiscal agent for a shared service arrangement (“SSA”) which provides services for the special education students of the District and member districts. All services are provided by the fiscal agent and funds are received by the fiscal agent from the granting agency. According to guidance provided in the TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in the appropriate Special Revenue Funds and has accounted for these funds using Model 2 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

TATUM INDEPENDENT SCHOOL DISTRICTNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

| Member Districts | Distribution Percentage | Allocated Expenditures |
|-----------------------|----------------------------|---------------------------|
| Carlisle ISD | 15.3% | \$ 155,262 |
| Laneville ISD | 5.7% | 55,084 |
| Leverett's Chapel ISD | 7.1% | 72,181 |
| Mt. Enterprise ISD | 7.5% | 75,852 |
| Overton ISD | 7.1% | 72,018 |
| Tatum ISD | 30.1% | 305,150 |
| West Rusk CCISD | 27.5% | 278,511 |
| Total | 100% | \$ 1,014,058 |

Shared Service Arrangement-Membership

The District participates in a shared services arrangement ("SSA") for which the District does not account for revenues or expenditures in the Carl Perkins program and does not disclose them in these financial statements. The revenues and expenditures are disclosed in the financial statements of the fiscal agent. The District neither has a joint ownership interest in capital assets purchases by the fiscal agent 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 SSA.

Q. Commitments and Contingencies**1. Contingencies**

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

2. Litigation

The District is currently not involved in litigation or claims as of year-end.

R. Subsequent Events

Management has evaluated subsequent events through December 8, 2025, the date the financials were available for release noting no significant matters requiring disclosure.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

TATUM INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT G-1

Page 1 of 2

| Data Control Codes | | 1 | 2 | 3 | Variance with Final Budget Positive (Negative) |
|---|--|------------------|--------------|--------------|---|
| | | Budgeted Amounts | | Actual | |
| | | Original | Final | | |
| REVENUES: | | | | | |
| 5700 | Local and Intermediate Sources | \$ 7,775,684 | \$ 7,775,684 | \$ 7,792,988 | \$ 17,304 |
| 5800 | State Program Revenues | 9,097,316 | 9,097,316 | 9,887,773 | 790,457 |
| 5900 | Federal Program Revenues | 60,000 | 60,000 | 43,141 | (16,859) |
| 5020 | Total Revenues | 16,933,000 | 16,933,000 | 17,723,902 | 790,902 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction and Instructional Related Services: | | | | | |
| 0011 | Instruction | 8,145,004 | 8,145,004 | 8,531,439 | (386,435) |
| 0012 | Instructional Resources and Media Services | 582,967 | 582,967 | 576,347 | 6,620 |
| 0013 | Curriculum and Instructional Staff Development | 168,099 | 168,099 | 166,895 | 1,204 |
| | Total Instruction and Instr. Related Services | 8,896,070 | 8,896,070 | 9,274,681 | (378,611) |
| Instructional and School Leadership: | | | | | |
| 0021 | Instructional Leadership | 158,097 | 158,097 | 151,350 | 6,747 |
| 0023 | School Leadership | 907,438 | 968,938 | 984,795 | (15,857) |
| | Total Instructional and School Leadership | 1,065,535 | 1,127,035 | 1,136,145 | (9,110) |
| Student Support Services: | | | | | |
| 0031 | Guidance, Counseling and Evaluation Services | 405,404 | 445,204 | 441,867 | 3,337 |
| 0033 | Health Services | 167,417 | 167,417 | 163,801 | 3,616 |
| 0034 | Student Transportation | 574,771 | 612,271 | 612,192 | 79 |
| 0036 | Extracurricular Activities | 690,490 | 1,040,490 | 1,163,916 | (123,426) |
| | Total Student Support Services | 1,838,082 | 2,265,382 | 2,381,776 | (116,394) |
| Administrative Support Services: | | | | | |
| 0041 | General Administration | 902,096 | 857,596 | 857,315 | 281 |
| | Total Administrative Support Services | 902,096 | 857,596 | 857,315 | 281 |
| Support Services: | | | | | |
| 0051 | Facilities Maintenance and Operations | 2,346,096 | 2,426,096 | 2,550,981 | (124,885) |
| 0052 | Security and Monitoring Services | -- | 77,776 | 77,527 | 249 |
| 0053 | Data Processing Services | 80,376 | 228,037 | 227,970 | 67 |
| | Total Support Services | 2,426,472 | 2,731,909 | 2,856,478 | (124,569) |
| Ancillary Services: | | | | | |
| 0061 | Community Services | 27,168 | 29,768 | 29,681 | 87 |
| | Total Ancillary Services | 27,168 | 29,768 | 29,681 | 87 |
| Intergovernmental Charges: | | | | | |
| 0093 | Payments to Fiscal Agent/Member Dist.-SSA | 242,549 | 242,549 | 242,549 | -- |
| 0099 | Other Intergovernmental Charges | 255,491 | 186,691 | 186,688 | 3 |
| | Total Intergovernmental Charges | 498,040 | 429,240 | 429,237 | 3 |
| 6030 | Total Expenditures | 15,653,463 | 16,337,000 | 16,965,313 | (628,313) |
| 1100 | Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 | Expenditures | 1,279,537 | 596,000 | 758,589 | 162,589 |
| Other Financing Sources (Uses): | | | | | |
| 7915 | Operating Transfers In | -- | 303,000 | -- | (303,000) |
| 8911 | Operating Transfers Out | (303,000) | (303,000) | -- | 303,000 |

TATUM INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT G-1

Page 2 of 2

| Data Control Codes | | 1 | 2 | 3 | Variance with Final Budget Positive (Negative) |
|--------------------------|--|---------------------|---------------------|---------------------|---|
| | | Budgeted Amounts | | Actual | |
| | | Original | Final | | |
| 7080 | Total Other Financing Sources and (Uses) | <u>(303,000)</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| 1200 | Net Change in Fund Balance | <u>976,537</u> | <u>596,000</u> | <u>758,589</u> | <u>162,589</u> |
| 0100 | Fund Balance - Beginning | <u>5,846,184</u> | <u>5,846,184</u> | <u>5,846,184</u> | <u>--</u> |
| 3000 | Fund Balance - Ending | <u>\$ 6,822,721</u> | <u>\$ 6,442,184</u> | <u>\$ 6,604,773</u> | <u>\$ 162,589</u> |

TATUM 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) | 0.0090490728% | 0.0090521799% | 0.0084581995% | 0.0081145018% | 0.0080590353% | 0.0089390922% | 0.0102291742% | 0.0101989176% | 0.0103307159% | 0.0103622000% |
| District's Proportionate Share of Net Pension Liability (Asset) | \$ 5,527,552 | \$ 6,217,974 | \$ 5,021,416 | \$ 2,066,476 | \$ 4,316,255 | \$ 4,646,820 | \$ 5,630,386 | \$ 3,261,064 | \$ 3,903,824 | \$ 3,662,900 |
| States Proportionate Share of the Net Pension Liability (Asset) associated with the District | 7,430,209 | 8,821,756 | 7,894,197 | 3,779,141 | 8,000,362 | 6,889,604 | 8,161,124 | 3,740,718 | 5,351,097 | 5,008,879 |
| Total | <u>\$ 12,957,761</u> | <u>\$ 15,039,730</u> | <u>\$ 12,915,613</u> | <u>\$ 5,845,617</u> | <u>\$ 12,316,617</u> | <u>\$ 11,536,424</u> | <u>\$ 13,791,510</u> | <u>\$ 7,001,782</u> | <u>\$ 9,254,921</u> | <u>\$ 8,671,779</u> |
| District's Covered Payroll | \$ 12,401,543 | \$ 12,015,874 | \$ 11,104,049 | \$ 10,950,342 | \$ 10,638,387 | \$ 9,819,243 | \$ 9,738,989 | \$ 9,614,336 | \$ 9,718,033 | \$ 9,087,106 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll | 44.57% | 51.75% | 45.22% | 18.87% | 40.57% | 47.32% | 57.81% | 33.92% | 40.17% | 40.31% |
| 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% |

TATUM 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 | \$ 484,724 | \$ 512,272 | \$ 467,646 | \$ 397,234 | \$ 343,295 | \$ 334,302 | \$ 319,178 | \$ 320,688 | \$ 334,261 | \$ 328,233 |
| Contribution in Relation to Contractually Required Contribution | (484,724) | (512,272) | (467,646) | (397,234) | (343,295) | (334,302) | (319,178) | (320,688) | (334,261) | (328,233) |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered Payroll | \$ 12,173,318 | \$ 12,401,543 | \$ 12,015,874 | \$ 11,104,049 | \$ 10,950,342 | \$ 10,638,837 | \$ 9,819,243 | \$ 9,738,989 | \$ 9,614,336 | \$ 9,718,033 |
| Contributions as a % of Covered Payroll | 3.98% | 4.13% | 3.89% | 3.58% | 3.14% | 3.14% | 3.25% | 3.29% | 3.48% | 3.38% |

TATUM 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) | 0.0128377050% | 0.0134465010% | 0.0131862433% | 0.0132803890% | 0.0139604271% | 0.0130908784% | 0.0145543192% | 0.0127997417% |
| District's Proportionate Share of the Net OPEB Liability (Asset) | \$ 3,896,440 | \$ 2,976,827 | \$ 3,157,315 | \$ 5,122,839 | \$ 5,306,989 | \$ 6,190,837 | \$ 7,267,105 | \$ 5,566,128 |
| State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District | 4,882,187 | 3,592,000 | 3,851,428 | 6,863,463 | 7,131,321 | 8,226,237 | 8,630,878 | 6,379,512 |
| Total | \$ 8,778,627 | \$ 6,568,827 | \$ 7,008,743 | \$ 11,986,302 | \$ 12,438,310 | \$ 14,417,074 | \$ 15,897,983 | \$ 11,945,640 |
| District's Covered Payroll | \$ 12,401,543 | \$ 12,015,874 | \$ 11,104,049 | \$ 10,950,342 | \$ 10,638,387 | \$ 9,819,243 | \$ 9,738,989 | \$ 9,614,336 |
| District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll | 31.42% | 24.77% | 28.43% | 46.78% | 49.89% | 63.05% | 74.62% | 57.89% |
| 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."

TATUM 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 | \$ 109,475 | \$ 116,680 | \$ 117,141 | \$ 107,412 | \$ 104,224 | \$ 106,537 | \$ 87,574 | \$ 95,860 |
| Contribution in Relation to Contractually Required Contribution | (109,475) | (116,680) | (117,141) | (107,412) | (104,224) | (106,537) | (87,574) | (95,860) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 12,173,318 | \$ 12,401,543 | \$ 12,015,874 | \$ 11,104,049 | \$ 10,950,342 | \$ 10,638,387 | \$ 9,813,243 | \$ 9,738,989 |
| Contributions as a % of Covered Payroll | 0.90% | 0.94% | 0.97% | 0.97% | 0.95% | 1.00% | 0.89% | 0.98% |

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."

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2025

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 the 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 canceled or appropriately provided for in the subsequent year's budget. At year-end the District had no encumbrances.

Excess of Expenditures over Appropriations

The district expenditures exceeded appropriations in the following funds in the noted function:

| <u>Fund</u> | <u>Function</u> |
|-------------|-----------------|
| 199 | 11 |
| 199 | 23 |
| 199 | 36 |
| 199 | 51 |

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 benefit terms that affected measurement of the total pension liability during the measurement period.

TATUM INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2025

Defined Other Post-Employment Benefits

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:

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

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

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

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

TATUM INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025*

| Year Ended August 31 | 1 Tax Rates | | 2 | | 3 Assessed/Appraised Value For School Tax Purposes | | 10 Beginning Balance 9/1/24 | |
|-----------------------------------|----------------|---------|--------------|---------|---|---------------|--------------------------------------|----------------|
| | Maintenance | | Debt Service | | | | | |
| 2016 and Prior Years | \$ | Various | \$ | Various | \$ | Various | \$ | 227,124 |
| 2017 | | 1.0107 | | .1839 | | 1,211,500,513 | | 29,063 |
| 2018 | | 1.0400 | | .1670 | | 1,056,222,000 | | 29,498 |
| 2019 | | .9700 | | .2370 | | 944,810,936 | | 37,529 |
| 2020 | | .9700 | | .2370 | | 809,813,340 | | 53,306 |
| 2021 | | .9664 | | .2406 | | 836,879,690 | | 60,549 |
| 2022 | | .9634 | | .2436 | | 786,373,488 | | 79,369 |
| 2023 | | .9148 | | .2922 | | 836,112,510 | | 114,609 |
| 2024 | | .6984 | | .2421 | | 737,057,249 | | 189,992 |
| 2025 (School Year Under Audit) | | .8184 | | .1121 | | 898,388,945 | | -- |
| 1000 Totals | | | | | | | \$ | <u>821,039</u> |

8000 - Total Taxes Refunded under Section 26.1115, Tax Code

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

| 20 Current Year's Total Levy | 31 Maintenance Collections | 32 Debt Service Collections | 40 Entire Year's Adjustments | 50 Ending Balance 8/31/25 | 99 Total Taxes Refunded Under Sect. 26.1115(c) |
|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|---|
| \$ -- | \$ 9,980 | \$ 2,460 | \$ (24,580) | \$ 190,104 | |
| -- | 1,907 | 358 | (677) | 26,121 | |
| -- | 2,198 | 353 | (1,060) | 25,887 | |
| -- | 3,198 | 510 | (1,015) | 32,806 | |
| -- | 8,142 | 1,970 | (866) | 42,328 | |
| -- | 11,249 | 2,807 | 260 | 46,753 | |
| -- | 14,880 | 3,742 | 777 | 61,524 | |
| -- | 18,719 | 5,744 | (3,118) | 87,028 | |
| -- | 47,802 | 16,463 | (23,737) | 101,990 | |
| 8,359,509 | 7,146,529 | 994,825 | (50,687) | 167,468 | |
| <u>\$ 8,359,509</u> | <u>\$ 7,264,604</u> | <u>\$ 1,029,232</u> | <u>\$ (104,703)</u> | <u>\$ 782,009</u> | |
| | | | | | \$ 97,980 |
| | \$ -- | | | | |

TATUM INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT J-2

| Data Control Codes | | 1 | 2 | 3 |
|--------------------------|--|------------------|------------------|------------------------------------|
| | | Budget | Actual | Variance Positive (Negative) |
| | REVENUES: | | | |
| 5700 | <i>Local and Intermediate Sources</i> | \$ 251,500 | \$ 252,900 | \$ 1,400 |
| 5800 | <i>State Program Revenues</i> | 50,300 | 4,478 | (45,822) |
| 5900 | <i>Federal Program Revenues</i> | 822,855 | 863,137 | 40,282 |
| 5020 | Total Revenues | <u>1,124,655</u> | <u>1,120,515</u> | <u>(4,140)</u> |
| | EXPENDITURES: | | | |
| | Current: | | | |
| | Student Support Services: | | | |
| 0035 | <i>Food Services</i> | 1,189,655 | 1,182,453 | 7,202 |
| | Total Student Support Services | <u>1,189,655</u> | <u>1,182,453</u> | <u>7,202</u> |
| 6030 | Total Expenditures | <u>1,189,655</u> | <u>1,182,453</u> | <u>7,202</u> |
| 1100 | Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 | Expenditures | (65,000) | (61,938) | 3,062 |
| 1200 | Net Change in Fund Balance | <u>(65,000)</u> | <u>(61,938)</u> | <u>3,062</u> |
| 0100 | Fund Balance - Beginning | 68,802 | 68,802 | -- |
| 3000 | Fund Balance - Ending | <u>\$ 3,802</u> | <u>\$ 6,864</u> | <u>\$ 3,062</u> |

TATUM INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT J-3

| Data Control Codes | | 1 | 2 | 3 |
|--------------------------|--|---------------------|---------------------|------------------------------------|
| | | Budget | Actual | Variance Positive (Negative) |
| | REVENUES: | | | |
| 5700 | Local and Intermediate Sources | \$ 2,428,300 | \$ 1,156,442 | \$ (1,271,858) |
| 5800 | State Program Revenues | -- | 114,488 | 114,488 |
| 5020 | Total Revenues | <u>2,428,300</u> | <u>1,270,930</u> | <u>(1,157,370)</u> |
| | EXPENDITURES: | | | |
| | Debt Service: | | | |
| 0071 | Debt Service | 1,070,000 | 1,070,000 | -- |
| 0072 | Interest on Long-Term Debt | 307,750 | 307,750 | -- |
| 0073 | Bond Issuance Costs and Fees | 2,000 | -- | 2,000 |
| | Total Debt Service | <u>1,379,750</u> | <u>1,377,750</u> | <u>2,000</u> |
| 6030 | Total Expenditures | <u>1,379,750</u> | <u>1,377,750</u> | <u>2,000</u> |
| 1100 | Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 | Expenditures | <u>1,048,550</u> | <u>(106,820)</u> | <u>(1,155,370)</u> |
| 1200 | Net Change in Fund Balance | <u>1,048,550</u> | <u>(106,820)</u> | <u>(1,155,370)</u> |
| 0100 | Fund Balance - Beginning | 2,452,670 | 2,452,670 | -- |
| 3000 | Fund Balance - Ending | <u>\$ 3,501,220</u> | <u>\$ 2,345,850</u> | <u>\$ (1,155,370)</u> |

TATUM INDEPENDENT SCHOOL DISTRICT

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
AS OF AUGUST 31, 2025

| Data Control Codes | | Responses |
|--|--|--------------|
| <u>Section A: Compensatory Education Programs</u> | | |
| AP1 | Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year? | Yes |
| AP2 | Does the LEA have written policies and procedures for its state compensatory education program? | Yes |
| AP3 | List the total state allotment funds received for state compensatory education programs during the district's fiscal year. | \$ 1,264,849 |
| AP4 | List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30) | \$ 1,940,797 |
| <u>Section B: Bilingual Education Programs</u> | | |
| AP5 | Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year? | Yes |
| AP6 | Does the LEA have written policies and procedures for its bilingual education program? | Yes |
| AP7 | List the total state allotment funds received for bilingual education programs during the LEA's fiscal year. | \$ 118,508 |
| AP8 | List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25) | \$ 308,906 |



Malnory, McNeal & COMPANY, PC
ACCOUNTING • ADVISORY • ASSURANCE

Independent Auditors' 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
Tatum Independent School District
Tatum, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tatum Independent School District ("the District"), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Malnory, McNeal & Company PC". The signature is written in a cursive, flowing style.

December 8, 2025
Paris, Texas

Certified Public Accountants



Malnory, McNeal & COMPANY, PC
ACCOUNTING • ADVISORY • ASSURANCE

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Tatum Independent School District
Tatum, Texas

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion of Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the

compliance requirements referred to above is considered material if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with requirements of each major federal program as a whole.

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

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

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

Report on Internal Control Over Compliance

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

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

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

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



Certified Public Accountants

December 8, 2025
Paris, Texas

TATUM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2025

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Version of compliance supplement used in audit: November 2025

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, para. 200.516(a)?? Yes X No

Identification of major programs:

| <u>Assistance Listing Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-------------------------------------|---|
| 84.027A & 84.173A | Special Education Cluster |

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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

| <u>Finding/Recommendation</u> | <u>Current Status</u> | <u>Management's Explanation If Not Implemented</u> |
|-------------------------------|-----------------------|--|
| None | | |

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

Not Applicable

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

EXHIBIT K-1

| (1) | (2) | (2A) | (3) |
|---|---------------------------|---|-------------------------|
| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass- Through Entity Identifying Number | Federal Expenditures |
| CHILD NUTRITION CLUSTER: | | | |
| <u>U. S. Department of Agriculture</u> | | | |
| Passed Through State Department of Education: | | | |
| School Breakfast Program | 10.553 | 202522N109946 | \$ 160,055 |
| National School Lunch Program | 10.555 | 202520N119946 | 493,725 |
| Total Passed Through State Department of Education | | | <u>653,780</u> |
| Passed Through State Department of Agriculture: | | | |
| Local Food for Schools (LFS) Cooperative Agreement Program | 10.185 | NT4XL1YGLGC5 | 85,000 |
| USDA Equipment Grant | 10.579 | 175600256565 | 65,907 |
| Total Passed Through State Department of Agriculture: | | | <u>150,907</u> |
| Total U. S. Department of Agriculture | | | <u>804,687</u> |
| Total Child Nutrition Cluster | | | <u>804,687</u> |
| FOOD DISTRIBUTION CLUSTER: | | | |
| <u>U. S. Department of Agriculture</u> | | | |
| Passed Through State Department of Agriculture: | | | |
| Commodity Supplemental Food Program (Non-cash) | 10.565 | GWLTM7DHS9K1 | 58,450 |
| Total U. S. Department of Agriculture | | | <u>58,450</u> |
| Total Food Distribution Cluster | | | <u>58,450</u> |
| SPECIAL EDUCATION (IDEA) CLUSTER: | | | |
| <u>U. S. Department of Education</u> | | | |
| Passed Through State Department of Education: | | | |
| SSA IDEA - Part B, Formula | 84.027A | 256600012019106600 | 974,829 |
| SSA IDEA - Part B, Preschool | 84.173A | 256610012019106610 | 23,299 |
| Total Passed Through State Department of Education | | | <u>998,128</u> |
| Total U. S. Department of Education | | | <u>998,128</u> |
| Total Special Education (IDEA) Cluster | | | <u>998,128</u> |
| OTHER PROGRAMS: | | | |
| <u>U. S. Department of Education</u> | | | |
| Passed Through State Department of Education: | | | |
| ESEA Title I Part A - Improving Basic Programs | 84.010A | 25610101201910 | 336,953 |
| Title III, Part A-Eng. Language Acquisition & Language Enhancement | 84.365A | 25671001201910 | 20,994 |
| ESEA Title II, Part A - Teacher & Principal Training & Recruiting | 84.367A | 25694501201910 | 58,066 |
| Title IV Part A, Supbart 1 | 84.424A | 25680101201910 | 24,686 |
| Title V, B SP2 RLIS | 84.358B | 25696001201910 | 56,160 |
| Total Passed Through State Department of Education | | | <u>496,859</u> |
| Total U. S. Department of Education | | | <u>1,494,987</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 2,358,124</u> |

The accompanying notes are an integral part of this schedule.

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

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Tatum Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Federal grants funds are considered to be earned to the extent of expenditures made under the provisions of the grant and accordingly when such funds are received, they are recorded as deferred revenues until earned.

The Commodity Supplemental Food Program (CFDA 10.565) received like-kind goods. The monetary value of these goods was \$58,450 for the year ended August 31, 2025. This monetary value was reported on the schedule.

The District participates in numerous state and federal grant programs governed by various rules and regulations of the grantor agencies. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2025, may be impaired. Negative amounts shown, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingency.

Tatum Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Reconciliation of Federal Awards

The following reconciles federal expenditures per the Schedule of Expenditures of Federal Awards (SEFA) to the federal revenue reported on Exhibit C-2:

| | | |
|---------------------------------|----|------------------|
| Federal expenditures per SEFA | \$ | 2,358,124 |
| SHARS | | 43,141 |
| Federal revenue per Exhibit C-2 | \$ | <u>2,401,265</u> |

TATUM INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2025*

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