

**TAFT
INDEPENDENT
SCHOOL DISTRICT**

*Annual Financial Report
For the Year Ended August 31, 2025*



GOWLAND, MORALES & SMITH, PLLC

Certified Public Accountants

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

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
 INTRODUCTORY SECTION		
Certificate of Board.....	1	
 FINANCIAL SECTION		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	13	A-1
Statement of Activities.....	14	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	15	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	17	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	18	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	20	C-3
Statement of Net Position - Internal Service Funds.....	21	D-1
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Internal Service Funds.....	22	D-2
Statement of Cash Flows - Proprietary Funds.....	23	D-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	24	E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	25	E-2
Notes to the Financial Statements	26	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	50	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System Of Texas.....	52	G-2
Schedule of District's Contributions - Teacher Retirement System Of Texas.....	53	G-3
Schedule of the District's Proportionate Share of the		
Net OPEB Liability - OPEB Plan.....	54	G-4
Schedule of District's Contributions - OPEB Plan.....	55	G-5
Notes to Required Supplementary Information.....	56	
 <u>Combining Statements as Supplementary Information:</u>		
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	57	H-1

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

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	61	H-2
Internal Service Funds:		
Combining Statement of Net Position.....	64	H-3
Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	65	H-4
Combining Statement of Cash Flows.....	66	H-5
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	67	J-1
Use of Funds Report - Select State Allotment Program	69	J-2
Budgetary Comparison Schedules Required by the Texas Education Agency.....		
National School Breakfast and Lunch Program.....	70	J-3
Debt Service Fund.....	71	J-4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	72	
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	74	
Schedule of Findings and Questioned Costs	77	
Summary Schedule of Prior Audit Findings.....	79	
Corrective Action Plan.....	80	
Schedule of Expenditures of Federal Awards	81	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	83	
Schedule of Required Responses to Selected School First Indicators.....	84	K-2

Introductory Section

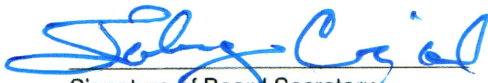
CERTIFICATE OF BOARD

Taft Independent School District
Name of School District

San Patricio
County

205-907
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 20th day of January, 2026.


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



GOWLAND, MORALES & SMITH, PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Taft Independent School District
400 College Street
Taft, Texas 78390

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Taft Independent School District, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the Taft Independent School 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Taft Independent School District, as of August 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Taft Independent School 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 Taft Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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 Taft Independent School 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 Taft Independent School 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 schedule of the District's proportionate share of net pension liability and schedule of Districts pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of Districts OPEB contributions 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 Taft Independent School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements 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 combining and individual nonmajor fund financial statements 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 statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2026, on our consideration of the Taft Independent School 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 Taft Independent School 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 Taft Independent School District's internal control over financial reporting and compliance.

Respectfully,

Gowland, Morales, & Smith, PLLC

Gowland, Morales & Smith, PLLC
Certified Public Accountants
Corpus Christi, Texas
January 20, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Taft 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

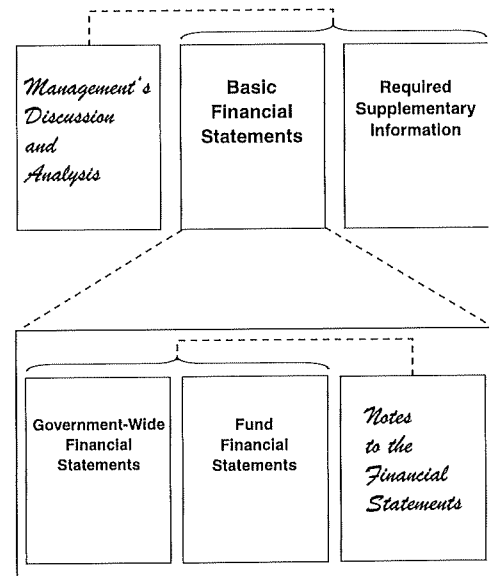
- The District's total combined Net Position was \$29,345,798 at August 31, 2025.
- The general fund reported a fund balance this year of \$7,357,263, a decrease of \$71,551. The decrease was caused by an approved amendment to the budget to purchase new buses.
- During 2024-2025, the District's General Fund expenses were \$966,441 more than the \$11,185,043 reported in 2023-2024. Expenditure increases were due to year-to-year fluctuations of grant funding that supplement salaries, supplies, and contracted services.
- In the Statement of Activities, the District's expenses were \$3,999,993 less than the \$22,776,285 generated in taxes and other revenues for governmental activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Summary  Detail

Figure A-1 shows how the required parts

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

Government-wide Statements

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

The two government-wide statements report the District's Net Position and how they have changed.

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, you need 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 and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has three kinds of funds:

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

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

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

- *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 of the District's fiduciary activities are reported in a separate statement of fiduciary Net Position and a statement of changes in fiduciary Net Position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined Net Position was \$29,345,798 at August 31, 2025 (See Table A-1).

Table A-1
Taft Independent School District's Net Position

	Governmental Activities		
	2025	2024	Change
Current assets:			
Cash and cash equivalents	\$ (3,123,513)	\$ 1,081,095	\$ (4,204,608)
Current Investments	71,032,854	25,425,717	45,607,137
Property Taxes Receivable (Net)	1,123,474	726,478	396,996
Due from other governments	2,023,521	1,990,214	33,307
Other Receivables	257,547	41	257,506
Unrealized Expenses	167,896	183,177	(15,281)
Total Current Assets	<u>71,481,779</u>	<u>29,406,722</u>	<u>42,075,057</u>
Noncurrent assets:			
Land	154,200	154,200	0
Construction in Progress	10,333,275	474,401	9,858,874
Buildings and Improvements, Net	24,322,045	25,577,303	(1,255,258)
Furniture and Equipment, Net	3,118,980	2,405,056	713,924
Total noncurrent assets	<u>37,928,500</u>	<u>28,610,960</u>	<u>9,317,540</u>
Total Assets	<u>109,410,279</u>	<u>58,017,682</u>	<u>51,392,597</u>
Deferred Outflows of Resources	<u>2,835,782</u>	<u>3,833,365</u>	<u>(997,583)</u>
Current Liabilities:			
Accounts Payable	855,289	149,932	705,357
Accrued Liabilities	556,169	487,660	68,509
Due to Fiduciary	38,575	320	38,255
Due to Other Governments	13,836	0	13,836
Unearned Revenues	320,718	288,947	31,771
Current Portion of Long-Term Liabilities	<u>2,235,559</u>	<u>1,191,928</u>	<u>1,043,631</u>
Total Current Liabilities	<u>4,020,146</u>	<u>2,118,787</u>	<u>1,901,359</u>
Long-term Debt	68,130,840	21,742,355	46,388,485
Net Pension Liability	3,928,027	4,752,728	(824,701)
Net OPEB Liability	<u>2,272,720</u>	<u>1,970,456</u>	<u>302,264</u>
Total Liabilities	<u>78,351,733</u>	<u>30,584,326</u>	<u>47,767,407</u>
Deferred Inflow Related to Pensions	<u>4,548,530</u>	<u>5,144,717</u>	<u>(596,187)</u>
Net Assets:			
Invested in capital assets,			
Net of Related Debt	25,285,445	6,905,439	18,380,006
Restricted Assets	1,195,505	20,202,632	(19,007,127)
Unrestricted	<u>2,864,848</u>	<u>(986,067)</u>	<u>3,850,915</u>
Total Net Assets	<u>\$ 29,345,798</u>	<u>\$ 26,122,004</u>	<u>\$ 3,223,794</u>

Unrestricted net position reflects a deficit created by a prior period adjustment resulting from the implementation of GASB 75 in the current fiscal year for OPEB. Although the District reports a deficit, the deficit is primarily due to reporting the District's proportionate share of the net OPEB liability. The total district liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the TRS-Care plan is funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors.

Changes in Net Position. The District's total revenues were \$22,776,285. A significant portion, 57%, of the District's revenue comes from taxes. 13% percent comes from state aid – formula grants, and 14% from operating grants, while 1.06% relates to charges for services.

The total cost of all programs and services was \$18,756,292; 55% of these costs are for instructional and student services including food service.

Governmental Activities

- Maintenance & Operations (M & O) property tax rates increased from \$.7575 to \$.7869 per \$100 and Debt Service tax rates decreased from \$.4536 to \$.4242 per \$100 valuation. Property values increased by \$103 million, or 9%.

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Table A-2
Changes in Taft Independent School District's Net Position

	Governmental Activities		Change
	2025	2024	
Program Revenues:			
Charges for Services	\$ 240,687	\$ 67,647	\$ 173,040
Operating Grants and Contributions	3,110,942	4,117,116	(1,006,174)
General Revenues			
Property Taxes	12,981,560	11,772,838	1,208,722
State Aid – Formula	3,057,621	3,486,327	(428,706)
Investment Earnings	3,258,946	1,509,040	1,749,906
Other	126,529	(64,280)	190,809
Other-Lawsuit Settlement			0
Total Revenues	<u>22,776,285</u>	<u>20,888,688</u>	<u>1,887,597</u>
Expenses:			
Instruction	7,025,109	7,101,449	(76,340)
Instructional Resources and Media Services	142,341	143,172	(831)
Curriculum Dev. And Instructional Staff Dev.	271,720	508,226	(236,506)
Instructional Leadership	2,758	10,161	(7,403)
School Leadership	830,567	787,273	43,294
Guidance, Counseling and Evaluation Services	436,635	422,956	13,679
Social Services	94,445	91,874	2,571
Health Services	153,188	141,778	11,410
Student (Pupil) Transportation	265,427	288,084	(22,657)
Food Services	1,100,929	1,149,436	(48,507)
Curricular/Extracurricular Activities	1,033,058	1,053,952	(20,894)
General Administration	915,185	898,678	16,507
Plant Maintenance & Oper.	2,225,804	2,373,683	(147,879)
Security & Monitoring Svcs.	325,520	604,362	(278,842)
Data Processing Services	607,921	693,289	(85,368)
Community Service	(9,844)	(8,284)	(1,560)
Debt Service	3,184,243	1,115,753	2,068,490
Capital Outlay	29,800	0	29,800
Other Intergovernmental Charges	141,486	134,996	6,490
Total Expenses	<u>18,776,292</u>	<u>17,510,838</u>	<u>1,265,454</u>
Change in Net Position	3,999,993	3,377,850	622,143
Prior Period Adjustment	(776,197)		(776,197)
Net Position Beginning	<u>26,122,002</u>	<u>22,744,152</u>	<u>3,377,850</u>
Net Position Ending	\$ <u>29,345,798</u>	\$ <u>26,122,002</u>	\$ <u>3,223,796</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 \$18,776,292.
- However, the amount that our taxpayers paid for these activities through property taxes was only 12,981,560.
- Some of the cost was paid by those who directly benefited from the programs \$240,687 or
- By grants and contributions \$ 3,110,942.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2025	2024		2024	2024	
Instruction	\$ 7,025,109	\$ 7,101,449	-1%	# 5,363,297	\$ 5,298,109	1%
General Administration	915,185	898,678	2%	914,670	892,911	2%
Plant Maintenance & Operations	2,225,804	2,373,683	-6%	2,224,512	2,359,748	-6%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$22,803,529 an increase of 7.33% over the preceding year. The increase was due primarily by the increase in tax revenue due to the increased M&O rate.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 4 times.

Actual expenditures were \$369,578 over the final budget amounts. The variance resulted from approved amendments to use fund balance for buses.

Total revenues were above the final budgeted amount by \$671,937.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the District had invested \$37,928,500 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

Table A-4
District's Capital Assets

	Governmental Activities		Total Percentage Change
	2025	2024	
Land	\$ 154,200	\$ 154,200	0.00%
Buildings and improvements	53,368,095	53,368,095	0.00%
Equipment & Vehicles	6,719,568	5,685,703	18.18%
Construction in Progress	10,333,275	474,401	
Totals at historical cost	70,575,138	59,682,399	18.25%
Total accumulated depreciation	(32,646,639)	(31,071,440)	5.07%
Net capital assets	\$ <u>37,928,500</u>	\$ <u>28,610,959</u>	<u>32.57%</u>

Long Term Debt

At year-end the District had \$66,660,000 in bonds outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

Table A-5
District's Long Term Debt

	Governmental Activities		Total Percentage Change
	2025	2024	
Bonds payable	\$ <u>66,660,000</u>	\$ <u>21,145,000</u>	215.3%
Notes Payable	\$ <u>498,592</u>	\$ <u>560,519</u>	-11.0%
Bond Premium	\$ <u>2,273,452</u>	\$ <u>1,228,763</u>	85.0%
Compensated Absences	\$ <u>934,355</u>	\$ <u>776,197</u>	20.4%
Net Pension Liability	\$ <u>3,928,027</u>	\$ <u>4,752,728</u>	-17.4%
Net OPEB Liability	\$ <u>2,272,720</u>	\$ <u>1,970,456</u>	15.3%

The District implemented GASB Statement No. 101 during the year ended 2025. A prior period adjustment of \$776,197 was required to record the beginning balance of the compensated absence liability for the year ended 2024.

The adoption of Statement No. 101 has no impact on the District's governmental fund financial statements, which continue to report leave expenditures as they are incurred during the course of the year. However, the adoption has resulted in reporting in the government-wide financial statements to reflect the net compensated absence liability and deferred inflows of resources and deferred outflows of resources for its qualified plan and the recognition of expense in accordance with the provisions of the Statement.

Net Pension Liability

The District implemented GASB Statement No. 68 during the year ended August 31, 2015. A prior period adjustment was required to record the beginning balance of the pension liability for the year ended August 31, 2014. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental non-employer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement.

Other Post-Employment Benefit Plans (OPEB)

The District implemented GASB Statement No. 75 during the year ended August 31, 2018. A prior period adjustment of \$2,622,424 was required to record the beginning balance of the pension liability for the year ended August 31, 2017. 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 Benefits (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

The adoption of Statement No. 75 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of health insurance is unaffected by the change. However, the adoption has resulted in reporting in the government-wide financial statements to reflect the net OPEB liability and deferred inflows of resources and deferred outflows of resources for its qualified plan and the recognition of expense in accordance with the provisions of the Statement.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

These indicators were taken into account when adopting the general fund budget for 2026:

Bond and litigation funds were approved and sold in September 2025 and will be used for construction projects including the demolition of the old high school and administration buildings, the new build of the high school, and various renovation projects throughout the junior high school, elementary school, and any existing buildings that are still in use.

The tax rate is \$1.2111 per \$100 valuation. (Maintenance and Operation tax of \$0.7869 and Interest and Sinking tax of .4242.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

1

Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ (3,123,513)
1120	Current Investments	71,032,854
1225	Property Taxes Receivable (Net)	1,123,474
1240	Due from Other Governments	2,023,521
1250	Accrued Interest	256,398
1290	Other Receivables (Net)	1,149
1490	Other Current Assets	167,896
Capital Assets:		
1510	Land	154,200
1520	Buildings and Improvements, Net	24,322,045
1530	Furniture and Equipment, Net	3,118,980
1580	Construction in Progress	10,333,275
1000	Total Assets	<u>109,410,279</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	Deferred Outflow Related to Pensions	1,164,239
	Deferred Outflow Related to OPEB	1,671,543
1700	Total Deferred Outflows of Resources	<u>2,835,782</u>
LIABILITIES:		
2110	Accounts Payable	855,289
2165	Accrued Liabilities	556,169
2177	Due to Fiduciary	38,575
2180	Due to Other Governments	13,836
2300	Unearned Revenue	320,718
Noncurrent Liabilities:		
2501	Due Within One Year	2,235,559
2502	Due in More Than One Year	68,130,840
2540	Net Pension Liability	3,928,027
2545	Net OPEB Liability	2,272,720
2000	Total Liabilities	<u>78,351,733</u>
DEFERRED INFLOWS OF RESOURCES:		
	Deferred Revenue	652,247
	Deferred Inflow Related to OPEB	3,896,283
2600	Total Deferred Inflows of Resources	<u>4,548,530</u>
NET POSITION:		
3200	Net Investment in Capital Assets	25,285,445
Restricted For:		
3820	Federal and State	625,977
3850	Debt Service	569,528
3900	Unrestricted	2,864,848
3000	Total Net Position	<u>\$ 29,345,798</u>

The accompanying notes are an integral part of this statement.

Taft 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	\$ 7,025,109	\$ --	\$ 1,661,812	\$ (5,363,297)
12	Instructional Resources and Media Services	142,341	--	83	(142,258)
13	Curriculum and Staff Development	271,720	--	62,388	(209,332)
21	Instructional Leadership	2,758	--	1	(2,757)
23	School Leadership	830,567	--	485	(830,082)
31	Guidance, Counseling, and Evaluation Services	436,635	--	253	(436,382)
32	Social Work Services	94,445	--	49	(94,396)
33	Health Services	153,188	--	87	(153,101)
34	Student Transportation	265,427	--	104	(265,323)
35	Food Service	1,100,929	13,375	1,007,934	(79,620)
36	Cocurricular/Extracurricular Activities	1,033,058	227,312	500	(805,246)
41	General Administration	915,185	--	515	(914,670)
51	Facilities Maintenance and Operations	2,225,804	--	1,292	(2,224,512)
52	Security and Monitoring Services	325,520	--	45,533	(279,987)
53	Data Processing Services	607,921	--	343	(607,578)
61	Community Services	(9,844)	--	5	9,849
72	Interest on Long-term Debt	2,676,197	--	329,558	(2,346,639)
73	Bond Issuance Costs and Fees	508,046	--	--	(508,046)
81	Capital Outlay	29,800	--	--	(29,800)
99	Other Intergovernmental Charges	141,486	--	--	(141,486)
TG	Total Governmental Activities	18,776,292	240,687	3,110,942	(15,424,663)
TP	Total Primary Government	\$ 18,776,292	\$ 240,687	\$ 3,110,942	(15,424,663)
General Revenues:					
MT	Property Taxes, Levied for General Purposes				8,500,779
DT	Property Taxes, Levied for Debt Service				4,480,781
IE	Investment Earnings				3,258,946
SF	State Aid-Formula Grants				3,470,443
GC	Grants and Contributions Not Restricted to Specific Programs				(412,822)
MI	Miscellaneous				126,529
TR	Total General Revenues				19,424,656
CN	Change in Net Position				3,999,993
NB	Net Position - Beginning				26,122,002
PA	Prior Period Adjustment				(776,197)
	Net Position - Beginning, as Restated				25,345,805
NE	Net Position - Ending				\$ 29,345,798

The accompanying notes are an integral part of this statement.

TAFT INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 4,953,096	\$ (3,248,533)
1120 <i>Current Investments</i>	5,432,935	3,667,580
1225 <i>Taxes Receivable, Net</i>	723,469	400,005
1240 <i>Due from Other Governments</i>	1,634,189	472
1250 <i>Accrued Interest</i>	--	--
1260 <i>Due from Other Funds</i>	349,006	150,009
1290 <i>Other Receivables</i>	1,149	--
1490 <i>Other Current Assets</i>	167,896	--
1000 Total Assets	<u>13,261,740</u>	<u>969,533</u>
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 84,873	\$ --
2150 <i>Payroll Deductions and Withholdings</i>	31,150	--
2160 <i>Accrued Wages Payable</i>	450,526	--
2170 <i>Due to Other Funds</i>	4,614,459	--
2180 <i>Due to Other Governments</i>	--	--
2300 <i>Unearned Revenue</i>	--	--
2000 Total Liabilities	<u>5,181,008</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES:		
<i>Deferred Revenue</i>	723,469	400,005
2600 Total Deferred Inflows of Resources	<u>723,469</u>	<u>400,005</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3430 <i>Prepaid Items</i>	167,896	--
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--
3480 <i>Retirement of Long-Term Debt</i>	--	569,528
Committed Fund Balances:		
3510 <i>Construction</i>	--	--
3600 <i>Unassigned</i>	7,189,367	--
Unassigned, Reported in Nonmajor:		
3610 <i>Special Revenue Funds</i>	--	--
3000 Total Fund Balances	<u>7,357,263</u>	<u>569,528</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 13,261,740</u>	<u>\$ 969,533</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects Fund	onmf Other Governmental Funds	98 Total Governmental Funds
\$ (4,526,066)	\$ (452,156)	\$ (3,273,659)
61,315,374	522,620	70,938,509
--	--	1,123,474
--	388,860	2,023,521
256,398	--	256,398
3,470,252	980,428	4,949,695
--	--	1,149
--	--	167,896
<u>60,515,958</u>	<u>1,439,752</u>	<u>76,186,983</u>
\$ 656,379	\$ 77,970	\$ 819,222
--	--	31,150
--	74,493	525,019
--	114,662	4,729,121
--	13,836	13,836
--	320,718	320,718
<u>656,379</u>	<u>601,679</u>	<u>6,439,066</u>
--	--	1,123,474
<u>--</u>	<u>--</u>	<u>1,123,474</u>
--	--	167,896
--	708,668	708,668
--	--	569,528
59,859,579	--	59,859,579
--	--	7,189,367
--	129,405	129,405
<u>59,859,579</u>	<u>838,073</u>	<u>68,624,443</u>
<u>\$ 60,515,958</u>	<u>\$ 1,439,752</u>	<u>\$ 76,186,983</u>

TAFT 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	\$ 68,624,443
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	37,928,499
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,123,474
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	(50,725)
Payables for bond principal which are not due in the current period are not reported in the funds.	(66,660,000)
Payables for notes which are not due in the current period are not reported in the funds.	(498,593)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(934,355)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(3,928,027)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(652,247)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,164,239
Bond premiums are amortized in the SNA but not in the funds.	(2,273,452)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(2,272,720)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(3,896,283)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	1,671,543
Rounding difference	2
Net position of governmental activities - Statement of Net Position	<u>\$ 29,345,798</u>

The accompanying notes are an integral part of this statement.

TAFT 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
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 8,590,465	\$ 4,568,813
5800 <i>State Program Revenues</i>	3,477,683	114,343
5900 <i>Federal Program Revenues</i>	11,417	215,215
5020 <i>Total Revenues</i>	<u>12,079,565</u>	<u>4,898,371</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	4,963,082	--
0012 <i>Instructional Resources and Media Services</i>	136,523	--
0013 <i>Curriculum and Staff Development</i>	201,987	--
0021 <i>Instructional Leadership</i>	2,490	--
0023 <i>School Leadership</i>	795,523	--
0031 <i>Guidance, Counseling, and Evaluation Services</i>	415,182	--
0032 <i>Social Work Services</i>	79,262	--
0033 <i>Health Services</i>	143,047	--
0034 <i>Student Transportation</i>	543,785	--
0035 <i>Food Service</i>	11,043	--
0036 <i>Cocurricular/Extracurricular Activities</i>	818,879	--
0041 <i>General Administration</i>	845,491	--
0051 <i>Facilities Maintenance and Operations</i>	2,118,779	--
0052 <i>Security and Monitoring Services</i>	296,330	--
0053 <i>Data Processing Services</i>	562,560	--
0061 <i>Community Services</i>	8,706	--
0071 <i>Principal on Long-term Debt</i>	61,927	1,735,000
0072 <i>Interest on Long-term Debt</i>	5,402	2,781,049
0073 <i>Bond Issuance Costs and Fees</i>	--	9,774
0081 <i>Capital Outlay</i>	--	--
0099 <i>Other Intergovernmental Charges</i>	141,486	--
6030 <i>Total Expenditures</i>	<u>12,151,484</u>	<u>4,525,823</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>		
1100 <i>Expenditures</i>	<u>(71,919)</u>	<u>372,548</u>
Other Financing Sources and (Uses):		
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	--
7915 <i>Transfers In</i>	368	4,912
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	--
8911 <i>Transfers Out</i>	--	--
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>368</u>	<u>4,912</u>
1200 <i>Net Change in Fund Balances</i>	<u>(71,551)</u>	<u>377,460</u>
0100 <i>Fund Balances - Beginning</i>	7,428,814	192,068
3000 <i>Fund Balances - Ending</i>	<u>\$ 7,357,263</u>	<u>\$ 569,528</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 Capital Projects Fund	onmf Other Governmental Funds	98 Total Governmental Funds
\$ 2,835,578	\$ 215,871	\$ 16,210,727
--	848,274	4,440,300
--	1,925,870	2,152,502
<u>2,835,578</u>	<u>2,990,015</u>	<u>22,803,529</u>
--	1,509,972	6,473,054
--	--	136,523
--	56,537	258,524
--	--	2,490
--	--	795,523
--	--	415,182
--	4,063	83,325
--	--	143,047
--	--	543,785
--	1,047,414	1,058,457
--	133,372	952,251
--	--	845,491
697,186	--	2,815,965
--	35,350	331,680
--	--	562,560
--	--	8,706
--	--	1,796,927
--	--	2,786,451
498,272	--	508,046
9,560,191	160,295	9,720,486
--	--	141,486
<u>10,755,649</u>	<u>2,947,003</u>	<u>30,379,959</u>
<u>(7,920,071)</u>	<u>43,012</u>	<u>(7,576,430)</u>
47,250,000	--	47,250,000
--	--	5,280
1,154,942	--	1,154,942
(4,912)	--	(4,912)
<u>48,400,030</u>	<u>--</u>	<u>48,405,310</u>
40,479,959	43,012	40,828,880
19,379,620	795,061	27,795,563
<u>\$ 59,859,579</u>	<u>\$ 838,073</u>	<u>\$ 68,624,443</u>

TAFT 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	\$ 40,828,880
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	10,892,739
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,575,198)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,735,000
Repayment of right-to-use lease principal is an expenditure in the funds but is not an expense in the SOA.	396,995
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	61,927
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	110,254
The net revenue (expense) of internal service funds is reported with governmental activities.	(8,546)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(158,158)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(47,250,000)
Bond premiums are reported in the funds but not in the SOA.	(1,154,942)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(239,662)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	360,703
Rounding difference	1
Change in net position of governmental activities - Statement of Activities	\$ <u>3,999,993</u>

The accompanying notes are an integral part of this statement.

TAFT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2025

Data Control Codes		Internal Service Funds
	ASSETS:	
	Current Assets:	
1110	<i>Cash and Cash Equivalents</i>	\$ 150,146
1120	<i>Investments</i>	94,345
	Total Current Assets	<u>244,491</u>
1000	Total Assets	<u>244,491</u>
	LIABILITIES:	
	Current Liabilities:	
2110	<i>Accounts Payable</i>	\$ 36,067
2170	<i>Due to Other Funds</i>	259,149
	Total Current Liabilities	<u>295,216</u>
2000	Total Liabilities	<u>295,216</u>
	NET POSITION:	
3900	<i>Unrestricted</i>	(50,725)
3000	Total Net Position	<u><u>\$ (50,725)</u></u>

The accompanying notes are an integral part of this statement.

TAFT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		Internal Service Funds
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 26,473
5020	Total Revenues	<u>26,473</u>
	OPERATING EXPENSES:	
6400	<i>Other Operating Costs</i>	<u>34,651</u>
6030	Total Expenses	<u>34,651</u>
	Income (Loss) before Contributions and Transfers	(8,178)
8911	<i>Transfers Out</i>	<u>(368)</u>
1300	Change in Net Position	(8,546)
1300	Change in Net Position	(8,546)
0100	Total Net Position - Beginning	(42,179)
3300	Total Net Position - Ending	<u>\$ (50,725)</u>

The accompanying notes are an integral part of this statement.

TAFT INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2025

	Internal Service Funds
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ --
<i>Cash Received from Grants</i>	--
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	26,473
<i>Cash Payments to Employees for Services</i>	--
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(45,234)
<i>Cash Payments for Grants to Other Organizations</i>	--
<i>Other Operating Cash Receipts (Payments)</i>	--
Net Cash Provided (Used) by Operating Activities	<u>(18,761)</u>
Cash Flows from Non-capital Financing Activities:	
<i>Transfers From (To) Other Funds</i>	(368)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(368)</u>
Cash Flows from Capital and Related Financing Activities:	
<i>Purchase of Investments</i>	(4,144)
<i>Contributed Capital</i>	--
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(4,144)</u>
Cash Flows from Investing Activities:	
<i>Interest and Dividends on Investments</i>	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(23,273)
Cash and Cash Equivalents at Beginning of Year	173,419
Cash and Cash Equivalents at End of Year	<u>\$ 150,146</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (8,178)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
<i>Depreciation</i>	--
<i>Provision for Uncollectible Accounts</i>	--
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	(700)
<i>Increase (Decrease) in Accounts Payable</i>	(18,130)
<i>Increase (Decrease) in Payroll Deductions</i>	--
<i>Increase (Decrease) in Interfund Payables</i>	8,247
<i>Increase (Decrease) in Accrued Expenses</i>	--
Total Adjustments	<u>(10,583)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (18,761)</u>

The accompanying notes are an integral part of this statement.

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

		Custodial Fund
Data Control Codes		Student Activity
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ (1,886)
1260	<i>Due from Other Funds</i>	38,575
1290	<i>Other Receivables</i>	12,958
1000	Total Assets	<u>49,647</u>
	LIABILITIES:	
2000	Total Liabilities	<u>--</u>
	NET POSITION:	
3800	<i>Restricted for Other Purposes</i>	\$ 49,647
3000	Total Net Position	<u>\$ 49,647</u>

The accompanying notes are an integral part of this statement.

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

	Custodial Funds
ADDITIONS:	
Investment Income	\$ --
Contributions from Foundations, Gifts and Bequests	--
Student Group Fundraising Activities	123,375
Total Additions	<u>123,375</u>
DEDUCTIONS:	
Benefits	--
Refunds of Contributions	--
Other Operating Expenses	128,266
Total Deductions	<u>128,266</u>
Transfers In	--
Change in Fiduciary Net Position	(4,891)
Net Position-Beginning of the Year	54,538
	--
Net Position-End of the Year	<u><u>\$ 49,647</u></u>

The accompanying notes are an integral part of this statement.

TAFT 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 Taft 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 elected body, 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.

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

The District reports 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 accumulates funds to pay off the District's bonded indebtedness.

Capital Projects Fund: This fund is used to account for construction activities.

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

In addition, the District reports the following fund types:

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

Custodial Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of the fiduciary resources to individuals, private organizations, or other governments.

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.

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

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District 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 lease contracts and subscription-based information technology arrangements 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.

3. **Compensated Absences**

Employees of the District are granted vacation, sick leave, and other types of compensated absences in accordance with District policy, labor agreements, and applicable state and local regulations. Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and certain types of sabbatical leave when agreed upon in contracts or labor agreements. Vacation and sick leave may be carried forward from year to year, subject to limits established by policy.

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

A liability for compensated absences is recognized when earned by employees if (a) the leave is attributable to services already rendered, (b) the leave accumulates and may be carried forward to future periods, and (c) it is more likely than not that the leave will be used for time off or otherwise paid in cash or settled through noncash means. The liability is measured using the pay or salary rates in effect as of the financial statement date, plus salary-related payments that are directly and incrementally associated with payments for compensated absences, as required by GASB Statement No. 101.

In accordance with GASB Statement No. 101, unused sick leave that, upon retirement, is converted to provide or enhance a defined benefit pension is excluded from the compensated absences liability. The value of such converted leave is instead included in the measurement of the District's net pension liability in accordance with applicable GASB standards.

In governmental funds, only the portion of the liability expected to be liquidated with expendable available financial resources is reported as a fund liability. The full liability is reported in the government-wide financial statements.

The District measured the liability based on a historical look-back period of three years with a last in first out flows assumption for use of accrued balances.

In addition, under legacy provisions of District policy, On retirement or death of certain employees, the District pays any accrued sick leave in a lump case payment to such employee or his/her estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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.

	General Fund	Debt Service Fund	Total
Delinquent Taxes	\$ 966,392	\$ 530,959	\$ 1,497,351
Allowance for Uncollectible Accounts	(242,923)	(130,954)	(373,877)
Net Taxes	<u>\$ 723,469</u>	<u>\$ 400,005</u>	<u>\$ 1,123,474</u>

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.

c. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

d. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	35
Building Improvements	36
Vehicles	5
Furniture and Equipment	5
Computer Equipment	5

e. Leases (GASB 87)

The District recognizes lease liabilities and corresponding right-to-use lease assets for leases with terms greater than 12 months. Lease liabilities are measured at the present value of expected lease payments. Right- to-use assets are amortized over the shorter of the lease term or useful life. Short-term (12 months or less) are expensed as incurred.

f. Subscription-Based Information Technology Arrangements (SBITAs - GASB 96)

The District recognizes intangible right-to-use subscription assets and related liabilities for subscription-based information technology arrangements (SBITAs) with terms over 12 months. Subscription assets are amortized over the term of the agreement. Short-term SBITAs are expensed as incurred.

g. 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.

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.

h. 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.

i. Interfund Activity

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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.

j. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

k. Data Control Codes

Data Control Codes appear 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.

l. 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. 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.

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

m. 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.

n. 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.

5. 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 benefit terms. Investments are reported at fair value.

6. 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-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

7. Implementation of New Standards

In the current fiscal year, the District did not implement any new standards from the Governmental Accounting Standards Board (GASB).

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.

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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 requirement 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.

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:

	Budget	Actual Amount Spent	Variance
<u>General Fund</u>			
11 Instruction	4,861,250	4,957,341	(96,091)
13 Curriculum and Instructional Staff Dev	188,005	201,253	(13,248)
31 Guidance, Counseling and Evaluation	409,896	415,182	(5,286)
36 Extracurricular Activities	759,623	818,879	(59,256)
41 General Administration	774,947	845,491	(70,544)
51 Facilities Maintenance and Operations	1,983,234	2,118,779	(135,545)
52 Security and Monitoring Servicees	290,040	296,330	(6,290)
53 Data Processing	541,942	562,560	(20,618)
99 Other Governmental Charges	130,125	141,486	(11,361)
<u>National School Breakfast and Lunch Program</u>			
35 Food Service	1,005,855	1,026,764	(20,909)

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>	Deficit Amount	<u>Remarks</u>
Internal Service Fund	\$ (50,725)	Funds will be transferred to cover the deficit

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.

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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 \$(3,125,398) and the bank balance was \$767,406. 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.

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.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>	
TexPool	N/A	\$ 56,574,730	AAA
East West Bank Certificate of Deposits	VS	4,161,166	
Texas Bank & Trust Certificate of Deposits	VS	10,291,494	
TexSTAR	N/A	319	N/A
Prosperity Bank	N/A	5,145	N/A
Total Investments		<u>71,032,854</u>	

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. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

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

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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.

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. 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. 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.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

D. **Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 154,200	\$ --	\$ --	\$ 154,200
Construction in progress	474,401	9,858,874	--	10,333,275
Total capital assets not being depreciated	628,601	9,858,874	--	10,487,475

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

Capital assets being depreciated:

Buildings and improvements	53,368,095	--	--	53,368,095
Equipment	4,314,045	606,597	--	4,920,642
Vehicles	1,371,658	427,268	--	1,798,926
Total capital assets being depreciated	59,053,798	1,033,865	--	60,087,663
Less accumulated depreciation for:				
Buildings and improvements	(27,790,793)	(1,255,257)	--	(29,046,050)
Equipment	(2,277,570)	(214,254)	--	(2,491,824)
Vehicles	(1,003,077)	(105,687)	--	(1,108,764)
Total accumulated depreciation	(31,071,440)	(1,575,198)	--	(32,646,638)
Total capital assets being depreciated, net	27,982,358	(541,333)	--	27,441,025
Governmental activities capital assets, net	\$ 28,610,959	\$ 9,317,541	\$ --	\$ 37,928,500

Depreciation was charged to functions as follows:

Instruction	\$ 681,643
Instructional Resources and Media Services	13,837
Curriculum and Staff Development	24,398
Instructional Leadership	268
School Leadership	80,739
Guidance, Counseling, & Evaluation Services	42,445
Social Work Services	8,515
Health Services	14,465
Student Transportation	105,687
Food Services	104,539
Extracurricular Activities	98,917
General Administration	87,242
Plant Maintenance and Operations	218,366
Security and Monitoring Services	34,199
Data Processing Services	59,000
Community Services	938
	<u>\$ 1,575,198</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:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 89,857	Short-term loans
General Fund	Internal Service Fund	259,149	Short-term loans
Debt Service Fund	General Fund	150,009	Short-term loans
Capital Projects Fund	General Fund	3,470,252	Short-term loans
Other Governmental Funds	General Fund	980,428	Short-term loans
Agency Fund	General Fund	38,575	Short-term loans
	Total	<u>\$ 4,988,270</u>	

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

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

2. Transfers To and From Other Funds

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

Transfers From	Transfers To	Amount	Reason
General fund	Internal Service Fund	\$ 368	Supplement other funds sources
Debt Service Fund'	Capital Projects	4,912	Supplement other funds sources
	Total	<u>\$ 5,280</u>	

F. Long-Term Obligations

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
Governmental activities:					
2013 Unlimited Tax School Building Bonds 2.25-3.1%	2,130,000		--	2,130,000	--
2013 Unlimited Tax QCB Bonds 4.207%	2,820,000		235,000	2,585,000	235,000
2016 Unlimited Tax Refunding Bonds 3-4%	1,425,000		300,000	1,125,000	305,000
2017 Unlimited Tax Refunding Bonds 3-4%	3,850,000		445,000	3,405,000	455,000
2020 Unlimited Tax Refunding Bonds 4%	7,370,000			7,370,000	--
2022 Unlimited Tax Refunding Bonds 4%-5%	3,550,000		150,000	3,400,000	160,000
2024 Unlimited Tax School Building Bonds 4.125%		47,250,000	605,000	46,645,000	690,000
TOTAL BONDS	<u>21,145,000</u>	<u>47,250,000</u>	<u>1,735,000</u>	<u>66,660,000</u>	<u>1,845,000</u>
Compensated Absences	776,197	158,158		934,355	328,011
Texas Comptroller of Public Accounts 1.00%	560,520		61,927	498,593	62,548
TOTAL DEBT	<u>\$ 22,481,717</u>	<u>\$ 47,408,158</u>	<u>\$ 1,796,927</u>	<u>68,092,948</u>	<u>\$ 2,235,559</u>
Premium	\$ 1,228,763	\$ 1,154,942	\$ 110,254	2,273,451	
DUE WITHIN ONE YEAR				<u>(2,235,559)</u>	
DUE IN MORE THAN ONE YEAR				<u>\$ 68,130,840</u>	
Net Pension Liability	<u>\$ 4,752,728</u>	<u>\$</u>	<u>\$ 824,701</u>	<u>\$ 3,928,027</u>	
Net OPEB Liability	<u>\$ 1,970,456</u>	<u>\$ 302,264</u>	<u>\$</u>	<u>\$ 2,272,720</u>	

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

The District implemented GASB Statement No. 101 during the year ended 2025. A prior period adjustment of \$776,197 was required to record the beginning balance of the compensated absence liability for the year ended 2024.

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Claims and judgments	Governmental	Internal Service Fund
Net Pension Liability *	Governmental	General Fund

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2025, are as follows:

	Governmental Activities		
	Bonds		
<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,845,000	2,953,366	\$ 4,798,366
2027	1,870,000	2,888,066	4,758,066
2028	1,905,000	2,815,716	4,720,716
2029	2,185,000	2,749,316	4,934,316
2030	2,285,000	2,669,366	4,954,366
2031-2035	10,875,000	11,984,980	22,859,980
2036-2040	11,330,000	8,804,341	20,134,341
2041-2045	13,010,000	5,971,000	18,981,000
2046-2050	10,440,000	1,098,281	11,538,281
Totals	<u>\$ 66,660,000</u>	<u>\$ 45,446,632</u>	<u>\$ 112,106,632</u>

	Loans Payable		
<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 62,548	\$ 4,781	\$ 67,329
2027	63,178	4,151	67,329
2028	63,811	3,518	67,329
2029	64,451	2,878	67,329
2030	65,098	2,231	67,329
2031-2035	179,507	2,748	182,255
Totals	<u>\$ 498,593</u>	<u>\$ 20,307</u>	<u>\$ 518,900</u>

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2025, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

<u>Bond Issue</u>	<u>Amount</u>
Series 2006	1,705,000
Series 2010	13,610,000
Series 2016	425,000
Series 2017	1,960,000
Total	<u>17,700,000</u>

G. 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.

H. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detailed information about the 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/Pages/about_archive_cafr.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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 where the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as previously noted in the Plan description in (1) above.

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.

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	<u>Contribution Rates</u>	
	<u>2024</u>	<u>2025</u>
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
District's 2025 Employer Contributions		\$ 303,662
District's 2025 Member Contributions		\$ 613,361
2024 NECE On-Behalf Contributions (State)		\$ 387,782

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

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

- On the portion of a member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any or all of an employee's salary is paid by federal, private, local or non-educational and general 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 percent of the state contribution rate for certain instructional or administrative employees and 100 percent of the state contribution rate for all other employees.

Employers are also required to pay surcharges in the following cases:

- All public schools, charter schools and regional educational service centers must contribute 1.8 percent of the member's salary beginning in fiscal year 2023, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the TRS, the employer shall pay an amount equal to the member contribution and the state contribution as an employment after retirement surcharge.

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

5. Actuarial Assumptions

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

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

* The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.

The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2022. For a full description of these assumptions, please see the actuarial valuation report dated November 22, 2022.

6. Discount Rate

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

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2024 are summarized below:

Asset Class	Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	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%

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

Stable Value			
Government Bonds	16.0%	1.9%	0.4%
Stable Value Hedge Funds	5.0%	3.0%	0.2%
Absolute Return *	0.0%	4.0%	0.0%
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 FY2023 policy model. *** Capital Market Assumptions come from Aon Hewitt (as of 06/30/2023) **** The volatility drag results from the conversion between arithmetic and geometric mean returns.			

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	\$ 6,274,055	\$ 3,928,027	\$ 1,984,177

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 \$3,928,027 for its proportionate share of the TRS 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 are as follows:

District's proportionate share of the collective net pension liability	\$ 3,928,027
State's proportionate share that is associated with District	<u>4,203,347</u>
Total	<u>\$ 8,131,374</u>

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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

At the measurement date of August 31, 2024 the employer's proportion of the collective net pension liability was 0.0064305155 percent "which was an increase (decrease) of "(0.0004885468 percent from its proportion measured as of August 31, 2023.

9. **Changes Since the Prior Actuarial Valuation**

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2025, the District recognized pension expense of \$1,045,694. and revenue of \$502,370. for support provided by the State.

At August 31, 2025, the District reported its proportionate share of the TRS 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	\$ 216,508	\$ 30,668
Changes in Actuarial Assumptions	202,812	27,190
Difference Between Projected and Actual Investment Earnings	23,877	--
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	417,380	594,389
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability (to be calculated by employer)	303,662	--
Total	\$ <u>1,164,239</u>	\$ <u>652,247</u>

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	\$ 35,797
2027	\$ 416,152
2028	\$ (14,160)
2029	\$ (213,562)
2030	\$ (15,898)
Thereafter	\$ -

I. **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 with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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 https://www.trs.texas.gov/Pages/about_archive_cafr.aspx; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

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

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

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

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

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 does not have the authority to set or amend contribution rates.

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of Salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2023. The following table shows contributions to the TRS-Care plan by type of contributor.

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

Contribution Rates	
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding remitted by Employers	1.25%

The contribution amounts for the District's fiscal year 2024 are as follows:

District's 2025 Employer Contributions	\$	64,624
District's 2025 Member Contributions	\$	48,326
2024 NECE On-Behalf Contributions (state)	\$	85,224

All employers whose employees are covered by the TRS pension plan are also required to pay a surcharge of \$535 per month when employing a retiree of TRS. The TRS-Care surcharges for fiscal year 2024 totaled \$16,318,100.

A supplemental appropriation was received in 2023 for \$21.3 million provided by Rider 14 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

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 valuation performed for the pension plan, except that the OPEB valuation is more complex. The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

Demographic Assumptions

Rates of Mortality
 Rates of Retirement
 Rates of Termination
 Rates of Disability

Economic Assumptions

General Inflation
 Wage Inflation

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

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

The following methods and additional assumptions were used in the TRS-Care OPEB valuation:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the the age-adjusted claims costs.
Salary Increases	2.95% to 8.95%, including inflation
Election Rates	Normal Retirement - 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees - 30% are assumed to discontinue coverage at age 65.
Ad Hoc Post-Employment Benefit Changes	None

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

6. Discount Rate

A single discount rate of 3.87 percent was used to measure the Total OPEB Liability. This was a decrease of 0.26 percent in the discount rate since the previous year. Since the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate.

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

7. Discount Rate Sensitivity Analysis

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

	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 the Net OPEB Liability:	\$ 2,700,098	\$ 2,272,720	\$ 1,927,393

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

At August 31, 2025, the District reported a liability of \$2,272,720 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:

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

District's proportionate share of the collective net OPEB liability	\$ 2,272,720
State's proportionate share that is associated with the District	\$ <u>2,847,688</u>
Total	\$ <u><u>5,120,408</u></u>

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

At August 31, 2025 the District's proportion of the collective net OPEB liability was 0.0074879915, which was an increase (decrease) of (0.0014126711% from its proportion measured as of August 31, 2023.

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of Net OPEB Liability:	\$ 1,850,793	\$ 2,272,720	\$ 2,822,533

9. Changes Since the Prior Actuarial Valuation

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

- The discount rate was changed from 4.13 percent as of August 31, 2022 to 3.87 percent as of August 31, 2023. This change increased the Total OPEB Liability.

Changes of Benefit Terms Since the Prior Measurement Date

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

"The amount of OPEB expense recognized by the District in the reporting period was \$(666,226)

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:

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 435,604	\$ 1,134,211
Changes in actuarial assumptions	290,881	741,562
Difference between projected and actual investment earnings	--	6,364
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	880,434	2,014,146
Contributions paid to TRS subsequent to the measurement date	64,624	
Total	\$ <u>1,671,543</u>	\$ <u>3,896,283</u>

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:	OPEB Expense Amount
2026	\$ (418,880)
2027	\$ (315,945)
2028	\$ (388,337)
2029	\$ (357,435)
2030	\$ (304,403)
Thereafter	\$ (504,363)

For the year ended August 31, 2025, the District recognized OPEB expense of \$(666,226) and revenue of \$(370,147) for support provided by the State.

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2025 the subsidy payment received by TRS-Care on behalf of the District was \$53,556.

J. 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 \$400 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the TRS Active Care are available for the year ended December 31, 2024, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

K. Commitments and Contingencies

1. Contingencies

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

L. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through January 20, 2026 (the date of the Audit Report). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles.

M. Chapter 313

On November 14, 2017, the Taft ISD Board of Trustees approved an Agreement with Apex Midway Wind LLC. for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to Chapter 313 of the Texas Tax Code. Value limitation agreements are a part of a state program, originally created in 2001, which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) must be consistent with the state's goal to encourage large scale capital investments in this state. Chapter 313 grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and Texas Priority projects. The application, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller's website: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php> The agreement and all supporting documentation was assigned Texas Comptroller Application No. 1201.

Apex Midway Wind, LLC, has been required to meet a series of capital investment, job creation and wage requirements specified by state law. At the time of the application's approval, it was determined by both the District's Board of Trustees and the Texas Comptroller's Office that the project would meet these standards. After approval, the applicant company must maintain a viable presence in the district for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that Apex Midway Wind LLC. terminates this Agreement without the consent of the District, or in the event that the company or its successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest.

TAFT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

Project: APEX Midway Wind, LLC (Application # 1201)
 First Year Value Limitation: 2020

	Project Value	Project's Value Limitation Amount	Amount of Applicant's M&O Taxes Paid	Amount of Applicant's M&O Taxes Reduced	Company Revenue Loss Payment to School District	Company Supplemental Payment to School District	Net Benefit (Loss) to the School District
2025	\$ 57.7M	\$30M	\$ 236,070	\$ 218,070	--	\$ 83,714	\$ 83,714

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.

Taft 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	\$ 8,115,843	\$ 8,125,843	\$ 8,590,465	\$ 464,622
5800	State Program Revenues	3,281,785	3,281,785	3,477,683	195,898
5900	Federal Program Revenues	--	--	11,417	11,417
5020	Total Revenues	11,397,628	11,407,628	12,079,565	671,937
EXPENDITURES:					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	4,937,050	4,861,250	4,963,082	(101,832)
0012	Instructional Resources and Media Services	152,710	152,710	136,523	16,187
0013	Curriculum and Instructional Staff Development	248,005	188,005	201,987	(13,982)
	Total Instruction and Instr. Related Services	5,337,765	5,201,965	5,301,592	(99,627)
Instructional and School Leadership:					
0021	Instructional Leadership	2,800	2,800	2,490	310
0023	School Leadership	819,521	812,521	795,523	16,998
	Total Instructional and School Leadership	822,321	815,321	798,013	17,308
Student Support Services:					
0031	Guidance, Counseling and Evaluation Services	409,896	409,896	415,182	(5,286)
0032	Social Work Services	80,511	80,511	79,262	1,249
0033	Health Services	145,001	155,801	143,047	12,754
0034	Student Transportation	148,193	547,471	543,785	3,686
0035	Food Services	11,500	11,500	11,043	457
0036	Extracurricular Activities	712,623	759,623	818,879	(59,256)
	Total Student Support Services	1,507,724	1,964,802	2,011,198	(46,396)
Administrative Support Services:					
0041	General Administration	704,947	774,947	845,491	(70,544)
	Total Administrative Support Services	704,947	774,947	845,491	(70,544)
Support Services:					
0051	Facilities Maintenance and Operations	1,983,234	1,983,234	2,118,779	(135,545)
0052	Security and Monitoring Services	290,040	290,040	296,330	(6,290)
0053	Data Processing Services	541,942	541,942	562,560	(20,618)
	Total Support Services	2,815,216	2,815,216	2,977,669	(162,453)
Ancillary Services:					
0061	Community Services	12,200	12,200	8,706	3,494
	Total Ancillary Services	12,200	12,200	8,706	3,494
Debt Service:					
0071	Debt Service	61,312	61,312	61,927	(615)
0072	Interest on Long-Term Debt	6,018	6,018	5,402	616
	Total Debt Service	67,330	67,330	67,329	1
0099	Other Intergovernmental Charges	130,125	130,125	141,486	(11,361)
	Total Intergovernmental Charges	130,125	130,125	141,486	(11,361)
6030	Total Expenditures	11,397,628	11,781,906	12,151,484	(369,578)
1100	Excess (Deficiency) of Revenues Over (Under)				

TAFT 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		
1100	Expenditures	--	(374,278)	(71,919)	302,359
	Other Financing Sources (Uses):				
7915	Operating Transfers In	--	--	368	368
7080	Total Other Financing Sources and (Uses)	--	--	368	368
1200	Net Change in Fund Balance	--	(374,278)	(71,551)	302,727
0100	Fund Balance - Beginning	7,428,814	7,428,814	7,428,814	--
3000	Fund Balance - Ending	<u>\$ 7,428,814</u>	<u>\$ 7,054,536</u>	<u>\$ 7,357,263</u>	<u>\$ 302,727</u>

TAFT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS

	Measurement Year *									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0064305155%	0.0069190623%	0.0081724430%	0.0064913854%	0.0064639417%	0.0057335454%	0.0064067441%	0.0064516062%	0.0075612797%	0.0077750000%
\$	3,928,027 \$	4,752,728 \$	4,851,769 \$	1,653,126 \$	3,451,955 \$	2,980,476 \$	3,526,427 \$	2,062,876 \$	2,857,295 \$	2,748,359
District's proportionate share of the net pension liability (asset)										
State's proportionate share of the net pension liability (asset) associated with the District	4,203,347	5,966,709	5,244,876	2,641,072	6,375,164	6,579,915	6,632,842	3,646,690	4,233,809	4,429,609
Total	8,131,374 \$	10,719,437 \$	10,096,645 \$	4,294,198 \$	9,837,119 \$	9,560,391 \$	10,159,269 \$	5,709,566 \$	7,091,104 \$	7,177,968
District's covered payroll	\$ 7,521,453 \$	8,503,843 \$	8,392,812 \$	7,855,633 \$	8,437,445 \$	7,851,067 \$	7,522,388 \$	7,189,481 \$	7,308,301 \$	7,384,559
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	52.22%	55.89%	57.81%	21.04%	41.03%	37.96%	46.88%	28.69%	39.10%	37.22%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

* The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

TAFT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 303,662 \$	362,382 \$	352,870 \$	347,919 \$	277,018 \$	266,704 \$	186,732 \$	196,961 \$	211,427 \$	239,903
Contributions in relation to the contractually required contribution	(303,662)	(362,382)	(352,870)	(347,919)	(277,018)	(266,704)	(186,732)	(196,961)	(211,427)	(239,903)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 7,434,708 \$	7,521,453 \$	8,503,843 \$	8,392,812 \$	7,855,633 \$	8,347,445 \$	7,851,067 \$	7,522,388 \$	7,189,481 \$	7,308,301
Contributions as a percentage of covered payroll	4.08%	4.82%	4.09%	4.15%	3.53%	3.20%	2.38%	2.62%	2.94%	3.28%

TAFT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Measurement Year **							
	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the collective net OPEB liability	0.0074879915%	0.0089006626%	0.0114265597%	0.0099761002%	0.0107886314%	0.0101855203%	0.0099819228%	0.0093652424%
District's proportionate share of the collective net OPEB liability	\$ 2,272,720	\$ 1,970,456	\$ 2,735,976	\$ 3,848,228	\$ 4,101,239	\$ 4,816,857	\$ 4,984,065	\$ 4,072,593
State proportionate share of the collective net OPEB liability associated with the District	\$ 2,847,688	\$ 2,377,658	\$ 3,337,461	\$ 5,155,767	\$ 5,511,082	\$ 6,400,526	\$ 6,256,937	\$ 5,404,221
Total	\$ 5,120,408	\$ 4,348,114	\$ 6,073,437	\$ 9,003,995	\$ 9,612,321	\$ 11,217,383	\$ 11,241,002	\$ 9,476,814
District's covered payroll	\$ 7,521,453	\$ 8,503,843	\$ 8,392,812	\$ 7,855,633	\$ 8,437,445	\$ 7,252,067	\$ 7,555,388	\$ 7,189,481
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	30.22%	23.17%	32.60%	48.99%	48.61%	66.42%	65.97%	56.65%
Plan fiduciary net position as a percentage of the total OPEB liability	13.70%	14.94%	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

** The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

TAFT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018		
Statutorily or contractually required District contribution	\$ 64,624 \$	131,661 \$	76,775 \$	87,573 \$	77,936 \$	82,001 \$	78,303 \$	68,603		
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(64,624)	(131,661)	(76,775)	(87,573)	(77,936)	(82,001)	(78,303)	(68,603)		
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --		
District's covered payroll	\$ 7,434,708 \$	7,521,453 \$	8,503,843 \$	8,392,812 \$	7,855,633 \$	8,437,445 \$	7,252,067 \$	7,522,388		
Contributions as a percentage of covered payroll	0.87%	1.75%	0.90%	1.04%	0.99%	0.97%	1.08%	0.91%		

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

TAFT 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 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the board.

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

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

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

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

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

Other Post-Employment Benefit Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

TAFT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2025

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ (50,285)	\$ --	\$ (188,533)	\$ (24,879)
1120 <i>Current Investments</i>	--	--	522,620	--
1240 <i>Due from Other Governments</i>	117,673	52,989	86,186	7,353
1260 <i>Due from Other Funds</i>	--	--	264,751	23,679
1000 <i>Total Assets</i>	<u>67,388</u>	<u>52,989</u>	<u>685,024</u>	<u>6,153</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ 6,023	\$ --	\$ 56,876	\$ 6,153
2160 <i>Accrued Wages Payable</i>	36,261	17,762	--	--
2170 <i>Due to Other Funds</i>	25,104	35,227	2,171	--
2180 <i>Due to Other Governments</i>	--	--	--	--
2300 <i>Unearned Revenue</i>	--	--	--	--
2000 <i>Total Liabilities</i>	<u>67,388</u>	<u>52,989</u>	<u>59,047</u>	<u>6,153</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	625,977	--
Unassigned, Reported in Nonmajor:				
3610 <i>Special Revenue Funds</i>	--	--	--	--
3000 <i>Total Fund Balances</i>	<u>--</u>	<u>--</u>	<u>625,977</u>	<u>--</u>
4000 <i>Total Liabilities and Fund Balances</i>	<u>\$ 67,388</u>	<u>\$ 52,989</u>	<u>\$ 685,024</u>	<u>\$ 6,153</u>

288 Bienestar Grant	289 Other Federal Programs	410 State Textbook Fund	429 State Funded Special Revenue Fund	461 Campus Activity Funds
\$ --	\$ (13,347)	\$ --	\$ (175,757)	\$ 2,427
--	--	--	--	--
4,063	--	--	92,540	--
--	21,157	35,410	137,523	35,787
<u>4,063</u>	<u>7,810</u>	<u>35,410</u>	<u>54,306</u>	<u>38,214</u>
\$ --	\$ 3,679	\$ 4,364	\$ --	\$ 450
--	--	--	20,470	--
4,063	--	--	20,000	--
--	--	--	13,836	--
--	4,131	31,046	--	--
<u>4,063</u>	<u>7,810</u>	<u>35,410</u>	<u>54,306</u>	<u>450</u>
--	--	--	--	37,764
--	--	--	--	--
--	--	--	--	<u>37,764</u>
<u>\$ 4,063</u>	<u>\$ 7,810</u>	<u>\$ 35,410</u>	<u>\$ 54,306</u>	<u>\$ 38,214</u>

TAFT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2025

Data Control Codes	462 Athletic Activity Fund	482 LEOSE Fund
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ (2,578)	\$ 755
1120 <i>Current Investments</i>	--	--
1240 <i>Due from Other Governments</i>	--	--
1260 <i>Due from Other Funds</i>	47,930	1,123
1000 Total Assets	<u>45,352</u>	<u>1,878</u>
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 425	\$ --
2160 <i>Accrued Wages Payable</i>	--	--
2170 <i>Due to Other Funds</i>	--	--
2180 <i>Due to Other Governments</i>	--	--
2300 <i>Unearned Revenue</i>	--	1,878
2000 Total Liabilities	<u>425</u>	<u>1,878</u>
FUND BALANCES:		
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	44,927	--
Unassigned, Reported in Nonmajor:		
3610 <i>Special Revenue Funds</i>	--	--
3000 Total Fund Balances	<u>44,927</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 45,352</u>	<u>\$ 1,878</u>

EXHIBIT H-1

Page 2 of 2

495 Insurance Recovery Fund	496 FEMA TDEM	748 Water Park Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ --	\$ --	\$ 41	\$ (452,156)
--	--	--	522,620
--	--	28,056	388,860
129,405	283,663	--	980,428
<u>129,405</u>	<u>283,663</u>	<u>28,097</u>	<u>1,439,752</u>
\$ --	\$ --	\$ --	\$ 77,970
--	--	--	74,493
--	--	28,097	114,662
--	--	--	13,836
--	283,663	--	320,718
<u>--</u>	<u>283,663</u>	<u>28,097</u>	<u>601,679</u>
--	--	--	708,668
129,405	--	--	129,405
<u>129,405</u>	<u>--</u>	<u>--</u>	<u>838,073</u>
\$ <u>129,405</u>	\$ <u>283,663</u>	\$ <u>28,097</u>	\$ <u>1,439,752</u>

TAFT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-Part B Preschool Grant	240 National School Breakfast/Lunch Program
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ 34,518
5800 <i>State Program Revenues</i>	--	--	--	8,790
5900 <i>Federal Program Revenues</i>	650,180	218,309	1,046	978,487
5020 <i>Total Revenues</i>	<u>650,180</u>	<u>218,309</u>	<u>1,046</u>	<u>1,021,795</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	648,585	218,309	1,046	--
0013 <i>Curriculum and Staff Development</i>	1,595	--	--	--
0032 <i>Social Work Services</i>	--	--	--	--
0035 <i>Food Service</i>	--	--	--	1,026,764
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0052 <i>Security and Monitoring Services</i>	--	--	--	--
0081 <i>Capital Outlay</i>	--	--	--	--
6030 <i>Total Expenditures</i>	<u>650,180</u>	<u>218,309</u>	<u>1,046</u>	<u>1,026,764</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	--	--	--	(4,969)
1200 <i>Net Change in Fund Balances</i>	--	--	--	(4,969)
0100 <i>Fund Balances - Beginning</i>	--	--	--	630,946
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 625,977</u>

255 ESEA Title II Training & Recruiting	288 Bienestar Grant	289 Other Federal Programs	410 State Textbook Fund	429 State Funded Special Revenue Fund
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	33,856	805,628
38,795	4,063	34,990	--	--
<u>38,795</u>	<u>4,063</u>	<u>34,990</u>	<u>33,856</u>	<u>805,628</u>
3,853	--	14,340	33,856	589,983
34,942	--	--	--	20,000
--	4,063	--	--	--
--	--	20,650	--	--
--	--	--	--	--
--	--	--	--	35,350
--	--	--	--	160,295
<u>38,795</u>	<u>4,063</u>	<u>34,990</u>	<u>33,856</u>	<u>805,628</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

TAFT INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	461 Campus Activity Funds	462 Athletic Activity Fund	495 Insurance Recovery Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 61,689	\$ 119,664	\$ --	\$ 215,871
5800 <i>State Program Revenues</i>	--	--	--	848,274
5900 <i>Federal Program Revenues</i>	--	--	--	1,925,870
5020 <i>Total Revenues</i>	<u>61,689</u>	<u>119,664</u>	<u>--</u>	<u>2,990,015</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	--	--	--	1,509,972
0013 <i>Curriculum and Staff Development</i>	--	--	--	56,537
0032 <i>Social Work Services</i>	--	--	--	4,063
0035 <i>Food Service</i>	--	--	--	1,047,414
0036 <i>Cocurricular/Extracurricular Activities</i>	58,635	74,737	--	133,372
0052 <i>Security and Monitoring Services</i>	--	--	--	35,350
0081 <i>Capital Outlay</i>	--	--	--	160,295
6030 <i>Total Expenditures</i>	<u>58,635</u>	<u>74,737</u>	<u>--</u>	<u>2,947,003</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	3,054	44,927	--	43,012
1200 <i>Net Change in Fund Balances</i>	<u>3,054</u>	<u>44,927</u>	<u>--</u>	<u>43,012</u>
0100 <i>Fund Balances - Beginning</i>	34,710	--	129,405	795,061
3000 <i>Fund Balances - Ending</i>	<u>\$ 37,764</u>	<u>\$ 44,927</u>	<u>\$ 129,405</u>	<u>\$ 838,073</u>

TAFT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2025

Data Control Codes	755 Public Entity Risk Pool	Total Internal Service Funds (See Exhibit D-1)
ASSETS:		
Current Assets:		
1110 <i>Cash and Cash Equivalents</i>	\$ 150,146	\$ 150,146
1120 <i>Investments</i>	94,345	94,345
Total Current Assets	<u>244,491</u>	<u>244,491</u>
1000 Total Assets	<u>244,491</u>	<u>244,491</u>
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 36,067	\$ 36,067
2170 <i>Due to Other Funds</i>	259,149	259,149
Total Current Liabilities	<u>295,216</u>	<u>295,216</u>
2000 Total Liabilities	<u>295,216</u>	<u>295,216</u>
NET POSITION:		
3900 <i>Unrestricted</i>	(50,725)	(50,725)
3000 Total Net Position	<u>\$ (50,725)</u>	<u>\$ (50,725)</u>

TAFT INDEPENDENT SCHOOL DISTRICTCOMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	753 Insurance Fund	755 Public Entity Risk Pool	Total Internal Service Funds (See Exhibit D-2)
OPERATING REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 107	\$ 26,366	\$ 26,473
5020 Total Revenues	107	26,366	26,473
OPERATING EXPENSES:			
6400 <i>Other Operating Costs</i>	--	34,651	34,651
6030 Total Expenses	--	34,651	34,651
Income (Loss) before Contributions and Transfe	107	(8,285)	(8,178)
8911 <i>Transfers Out</i>	(368)	--	(368)
1300 Change in Net Position	(261)	(8,285)	(8,546)
1300 Change in Net Position	(261)	(8,285)	(8,546)
0100 Total Net Position - Beginning	261	(42,440)	(42,179)
3300 Total Net Position - Ending	\$ --	\$ (50,725)	\$ (50,725)

TAFT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

	753	755	Total Internal Service Funds (See Exhibit D-3)
	Insurance Fund	Public Entity Risk Pool	
Cash Flows from Operating Activities:			
<i>Cash Received from Customers</i>	\$ --	\$ --	\$ --
<i>Cash Received from Grants</i>	--	--	--
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	107	26,366	26,473
<i>Cash Payments to Employees</i>	--	--	--
<i>Cash Payments to Suppliers for Goods and Services</i>	(700)	(44,534)	(45,234)
<i>Cash Payments for Grants to Other Organizations</i>	--	--	--
<i>Other Operating Cash Receipts (Payments)</i>	--	--	--
Net Cash Provided (Used) by Operating Activities	<u>(593)</u>	<u>(18,168)</u>	<u>(18,761)</u>
Cash Flows from Non-capital Financing Activities:			
<i>Transfers From (To) Other Funds</i>	<u>(368)</u>	--	<u>(368)</u>
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(368)</u>	<u>--</u>	<u>(368)</u>
Cash Flows from Capital and Related Financing Activities:			
<i>Purchase of Investments</i>	--	(4,144)	(4,144)
<i>Contributed Capital</i>	--	--	--
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>--</u>	<u>(4,144)</u>	<u>(4,144)</u>
Cash Flows from Investing Activities:			
<i>Interest and Dividends on Investments</i>	--	--	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>	<u>--</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(961)	(22,312)	(23,273)
Cash and Cash Equivalents at Beginning of Year	961	172,458	173,419
Cash and Cash Equivalents at End of Year	<u>\$ --</u>	<u>\$ 150,146</u>	<u>\$ 150,146</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 107	\$ (8,285)	\$ (8,178)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
<i>Depreciation</i>	--	--	--
<i>Provision for Uncollectible Accounts</i>	--	--	--
Change in Assets and Liabilities:			
<i>Decrease (Increase) in Receivables</i>	(700)	--	(700)
<i>Increase (Decrease) in Accounts Payable</i>	--	(18,130)	(18,130)
<i>Increase (Decrease) in Payroll Deductions</i>	--	--	--
<i>Increase (Decrease) in Interfund Payables</i>	--	8,247	8,247
<i>Increase (Decrease) in Accrued Expenses</i>	--	--	--
Total Adjustments	<u>(700)</u>	<u>(9,883)</u>	<u>(10,583)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (593)</u>	<u>\$ (18,168)</u>	<u>\$ (18,761)</u>

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.

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

Year Ended August 31	Tax Rates		Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/24
	Maintenance	Debt Service		
2016 and Prior Years	\$ Various	\$ Various	\$ Various	\$ 424,556
2017	1.1694	.3655	304,416,119	75,681
2018	1.1694	.3555	338,579,377	78,495
2019	1.17	.3455	355,997,844	76,107
2020	1.0684	.3755	464,878,106	72,048
2021	.963	.2253	716,570,628	66,841
2022	.9603	.2682	773,449,912	111,558
2023	.9429	.2682	884,111,714	168,331
2024	.7575	.4536	969,310,281	264,767
2025 (School Year Under Audit)	.7869	.4242	1,054,795,278	--
1000 Totals				\$ <u><u>1,338,384</u></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

EXHIBIT J-1

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)
\$ --	\$ 1,901	\$ 465	\$ --	\$ 422,190	
--	196	61	--	75,424	
--	1,798	547	--	76,150	
--	1,601	473	--	74,033	
--	4,190	1,473	264	66,650	
--	4,395	1,028	(222)	61,196	
--	13,137	3,669	202	94,953	
--	18,452	5,248	(4,716)	139,915	
--	27,729	16,604	(26,864)	193,570	
12,463,693	7,958,965	4,290,498	79,041	293,270	
<u>\$ 12,463,693</u>	<u>\$ 8,032,363</u>	<u>\$ 4,320,067</u>	<u>\$ 47,705</u>	<u>\$ 1,497,351</u>	
					\$ 51,118.00
	\$ --				

TAFT 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.	\$ 1,110,461
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30)	\$ 1,219,668
<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.	\$ 11,556
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25)	\$ 6,641

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

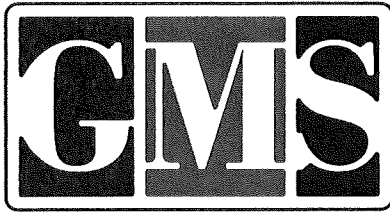
EXHIBIT J-3

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	<i>Local and Intermediate Sources</i>	\$ 25,000	\$ 34,518	\$ 9,518
5800	<i>State Program Revenues</i>	10,000	8,790	(1,210)
5900	<i>Federal Program Revenues</i>	917,864	978,487	60,623
5020	Total Revenues	952,864	1,021,795	68,931
	EXPENDITURES:			
	Current:			
	Student Support Services:			
0035	<i>Food Services</i>	1,005,855	1,026,764	(20,909)
	Total Student Support Services	1,005,855	1,026,764	(20,909)
6030	Total Expenditures	1,005,855	1,026,764	(20,909)
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(52,991)	(4,969)	48,022
1200	Net Change in Fund Balance	(52,991)	(4,969)	48,022
0100	Fund Balance - Beginning	630,946	630,946	--
3000	Fund Balance - Ending	\$ 577,955	\$ 625,977	\$ 48,022

TAFT INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT J-4

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 4,613,724	\$ 4,568,813	\$ (44,911)
5800	State Program Revenues	109,961	114,343	4,382
5900	Federal Program Revenues	--	215,215	215,215
5020	Total Revenues	<u>4,723,685</u>	<u>4,898,371</u>	<u>174,686</u>
	EXPENDITURES:			
	Debt Service:			
0071	Debt Service	1,941,605	1,735,000	206,605
0072	Interest on Long-Term Debt	2,781,500	2,781,049	451
0073	Bond Issuance Costs and Fees	7,500	9,774	(2,274)
	Total Debt Service	<u>4,730,605</u>	<u>4,525,823</u>	<u>204,782</u>
6030	Total Expenditures	<u>4,730,605</u>	<u>4,525,823</u>	<u>204,782</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>(6,920)</u>	<u>372,548</u>	<u>379,468</u>
	Other Financing Sources (Uses):			
7915	Operating Transfers In	<u>6,920</u>	<u>4,912</u>	<u>(2,008)</u>
7080	Total Other Financing Sources and (Uses)	<u>6,920</u>	<u>4,912</u>	<u>(2,008)</u>
1200	Net Change in Fund Balance	<u>--</u>	<u>377,460</u>	<u>377,460</u>
0100	Fund Balance - Beginning	192,068	192,068	--
3000	Fund Balance - Ending	<u>\$ 192,068</u>	<u>\$ 569,528</u>	<u>\$ 377,460</u>



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

To the Board of Trustees
Taft Independent School District
439 SW 4th Street
Taft, Texas 78384

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Taft Independent School District, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise Taft Independent School District's basic financial statements and have issued our report thereon dated January 20, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-1 and 2025-2, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Taft Independent School 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*.

Taft Independent School District's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Gowland, Morales, & Smith, PLLC

Gowland, Morales & Smith, PLLC

Corpus Christi, Texas
January 20, 2026



GOWLAND, MORALES & SMITH, PLLC

Certified Public Accountants

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

To the Board of Trustees
Taft Independent School District
439 SW 4th Street
Taft, Texas 78384

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Taft Independent School District's 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 Taft Independent School District's major federal programs for the year ended August 31, 2025. Taft Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Taft Independent School 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 on Each Major Federal Program

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

We are required to be independent of Taft Independent School 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 Taft Independent School 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 Taft Independent School 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 Taft Independent School 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 Taft Independent School District's compliance with the 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 Taft Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Taft Independent School 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 Taft Independent School 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 identified a significant deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2025-2.

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.

Gowland, Morales, & Smith, PLLC

Gowland, Morales & Smith, PLLC

Corpus Christi, Texas
January 20, 2026

TAFT 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? X Yes 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? X Yes 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>
Food Service Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program (Non-Cash)
10.555	National School Lunch Program
10.555	Seamless Summer Option
10.555	Supply Chain Assistance Grant
84.010A	ESEA, Title I, Part A

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

Auditee qualified as low-risk auditee? X Yes No

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

B. Financial Statement Findings

2025-1

Condition:

The district issued wage payments to an employee that exceeded the amount specified in their employment contract.

Criteria:

District internal control procedures require district to enter pay roll data.

Cause:

The district's third-party payroll consultant entered incorrect payroll data for an employee, and the error was not identified during the district's review process.

Effect or Potential Effect:

The district incurred a limited amount of financial loss. The control weakness exposed the district to the risk of additional financial loss.

Recommendation:

The district should strengthen payroll internal controls by reinforcing independent verification and secondary review for all payroll changes. The district has implemented a policy to verify payroll changes made by the 3rd party consultant.

2025-2

Condition:

Bank reconciliations were not properly prepared during the year in a timely manner.

Criteria:

Bank accounts should be completed and reconciled to the general ledger throughout the year on a timely Basis. Any reconciling items should be cleared each month rather than at year end.

Cause:

Employee failed to prepare bank reconciliations due to availability of time.

Effect or Potential Effect:

Accurate and timely monthly reconciliations reduce the risk that errors will remain undetected and uncorrected. Without effective accounting controls, general ledger accounts may be inaccurate and incomplete, funds may not be accounted for properly and balances may not be reliable.

Recommendation:

The District should establish procedures to ensure reconciliations are completed accurately and timely each month.

C. Federal Award Findings and Questioned Costs

See 2025-2 above

TAFT 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</u>
A) 2025-2 - Bank reconciliation not prepared timely.	Corrected	Management implemented procedures to ensure bank reconciliations are completed on a timely monthly basis and communicated the requirement to applicable staff.

Taft Independent School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT K-1
Page 1 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients Federal Expenditures
CHILD NUTRITION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	71402501	\$ -- \$ 167,196
National School Lunch Program (Non-cash)	10.555	205-907	38,043
National School Lunch Program	10.555	71302501	468,530
Total ALN Number 10.555			506,573
	10.582	205-907	-- 20,650
Total Passed Through State Department of Education			694,420
Total U. S. Department of Agriculture			694,420
Total Child Nutrition Cluster			694,420
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
IDEA-Part B, Formula	84.027A	2566000120590	-- 218,309
IDEA-Part B, Preschool	84.173A	2566100120590	-- 1,046
Total Passed Through State Department of Education			-- 219,355
Total U. S. Department of Education			-- 219,355
Total Special Education (IDEA) Cluster			-- 219,355
OTHER PROGRAMS:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Part A - Improving Basic Programs	84.010A	2561010120590	-- 650,180
Total ALN Number 84.010a			-- 650,180
Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	2569450120590	-- 38,795
Total ALN Number 84.367A			-- 38,795
Bienstar Grant	84.424A	2568010120590	-- 14,340
Total ALN Number 84.424A	84.424A	205-907	-- 4,063
			-- 18,403
Total Passed Through State Department of Education			\$ -- \$ 707,378
Total U. S. Department of Education			-- 707,378

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

Corrective Action Plan - AFR Finding 2025-1

We have taken measures to ensure that policy and procedures for internal control have been updated and are being properly executed to mitigate any potential payroll errors that may occur.

This includes multi-person verification of all payroll records before processing payroll, in-depth contract reviews, and reconciliation of the payroll accounts, especially when using third-party assistance with our processing.

We have also provided staff with opportunities for training that will provide a fresh perspective on their duties.

Corrective Action Plan - AFR Finding 2025-2

Procedures have been put in place to make sure bank reconciliations are completed monthly. Staff has been updated and advised of the importance of timely bank reconciliations.

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

EXHIBIT K-1
Page 2 of 2

(1)	(2)	(2A)		(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
Child and Adult Care Food Program	10.558	205-907	--	304,718
Total U. S. Department of Agriculture			--	304,718
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>1,925,871</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				1,925,871
Medicaid				11,417
IRS Treasury Tax Refund				215,215
TOTAL FEDERAL REVENUE EXHIBIT C-2				<u>2,152,503</u>

The accompanying notes are an integral part of this schedule.

TAFT 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 ("the Schedule") includes the federal grant activity of Taft Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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

Taft Independent School District

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

<u>Data Control Codes</u>		<u>Responses</u>
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/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	\$ --