

HARLETON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2025

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For Discussion Purposes Only

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HARLETON INDEPENDENT SCHOOL DISTRICT
Annual Financial Report for
the Year Ended August 31, 2025

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HARLETON INDEPENDENT SCHOOL DISTRICT
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**HARLETON INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD**

<u>Harleton Independent School District</u>	<u>Harrison</u>	<u>102-905</u>
Name of School District	County	County-District 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 13th 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)

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FINANCIAL SECTION

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Certified Public Accountants

Independent Auditor's Report

Members of the Board of Trustees of
Harleton Independent School District
Harleton, Texas

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2025, and the respective changes in financial position 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 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.

Independent Auditor's Report

Members of the Board of Trustees

January 6, 2026

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

Independent Auditor's Report

Members of the Board of Trustees

January 6, 2026

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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 on pages 6 through 12, budgetary comparison information on page 47, and the Teacher's Retirement System pension and OPEB schedules on pages 48 through 56, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and other schedules, as required by TEA, 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 other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Independent Auditor's Report

Members of the Board of Trustees

January 6, 2026

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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 6, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.

Certified Public Accountants

January 6, 2026

HARLETON INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$9,627,285 as of August 31, 2025.
- During the year ended August 31, 2025, the District's net position decreased by \$86,738.
- The District generated \$10,737,993 in taxes and other revenues from governmental activities, and the total cost of the District's programs was \$10,824,731.
- The general fund reported a fund balance of \$6,846,539, of which \$3,301,039 was unassigned at August 31, 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial 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: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information further explains and supports the information in the financial statements.

Government-wide Financial Statements

The District's annual financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's finances. Financial reporting at this level uses a perspective similar to that found in the private sector.

The first of these government-wide financial statements is the **Statement of Net Position**. This is the District wide statement of financial position presenting information that includes all of the District's assets, deferred inflows and outflows of resources, and liabilities, with the difference reported as **net position**. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non financial factors such as changes to the District's tax base.

The second government-wide financial statement is the **Statement of Activities**, which reports how the District's net position changed during the current period. All current revenues and expenses are included regardless of when the cash is received or paid.

The government-wide financial statements of the District include the governmental activities of the District. These are the basic services such as instruction, extracurricular activities, curriculum and staff development, health services, and administration. Property taxes, state aid, and federal grants finance most of these activities.

HARLETON INDEPENDENT SCHOOL DISTRICT

Effective September 1, 2024, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. As a result, compensated absences liabilities now include additional types of leave such as parental, military, and jury duty leave, when the leave has commenced. The liability is measured based on the leave balances as of August 31, 2025, adjusted for expected usage and applicable compensation rates. Prior year comparative data has been restated to include the liability at August 31, 2024.

Fund Financial Statements

The fund financial statements 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.
- The fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

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

The District has two kinds of funds:

Governmental funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can 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 financial statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them.

Fiduciary funds - The District is the custodian, or fiduciary, for money raised by student activities and scholarship programs. 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. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

The accompanying notes to the financial statements provide essential information to a full understanding of the government-wide and fund financial statements.

HARLETON INDEPENDENT SCHOOL DISTRICT

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was \$9,627,285 as of August 31, 2025. The following table provides a summary of the District's net position.

The District's Net Position

	2025	2024	% Change
Current and Other Assets	7,981,528	8,350,879	(4.4)%
Capital and Non-Current Assets	7,441,175	7,425,640	0.2%
Total Assets	15,422,703	15,776,519	(2.2)%
Deferred outflows	1,768,505	2,151,640	(17.8)%
Total Deferred Outflows of Resources	1,768,505	2,151,640	(17.8)%
Other Liabilities	508,491	442,051	15.0%
Long Term Liabilities	4,893,987	5,267,282	(7.1)%
Total Liabilities	5,402,478	5,709,333	(5.4)%
Deferred inflows	2,161,445	2,504,803	(13.7)%
Total Deferred Inflows of Resources	2,161,445	2,504,803	(13.7)%
Net Position:			
Net investment in Capital Assets	7,031,006	6,624,869	6.1%
Restricted	564,321	498,984	13.1%
Unrestricted	2,031,958	2,590,170	(21.6)%
Total Net Position	9,627,285	9,714,023	(0.9)%

The District's restricted net position of \$564,321 consists of \$145,809 restricted for food service, \$17,684 restricted for the state textbook program, and \$400,828 restricted for debt service.

Changes in Net Position. The District's total revenues were \$10,737,993. A significant portion, 66.44 percent, comes from state aid-formula grants. Property taxes represent 17.84 percent of the District's revenue. The rest of the District's revenue comes from federal operating grants, charges for services, investment earnings, and other local sources.

The total cost of all programs and services was \$10,824,731; 60.47 percent of these costs are for instructional and student services.

HARLETON INDEPENDENT SCHOOL DISTRICT

Governmental Activities

The following table provides a summary of the District's changes in net position.

Changes in the District's Net Position

Revenues:	2025	2024	% Change
Program Revenues:			
Charges for services	181,874	239,864	(24.2)%
Operating grants	856,819	872,071	(1.7)%
General Revenues:			
Property taxes	1,915,901	1,906,185	0.5%
State aid - formula	7,134,279	7,409,686	(3.7)%
Investment earnings	288,097	325,795	(11.6)%
Other general revenues	361,023	498,926	(27.6)%
Total revenues	10,737,993	11,252,527	(4.6)%
 Expenses:			
Instructional and instructional related	5,592,615	5,872,365	(4.8)%
Instructional and school leadership	458,096	456,850	0.3%
Counseling and health services	317,809	291,746	8.9%
Transportation	320,032	242,363	32.0%
Food services	488,358	502,397	(2.8)%
Extracurricular	948,338	1,214,987	(21.9)%
General administration	402,764	368,098	9.4%
Plant maintenance and operations	1,817,342	1,486,382	22.3%
Security and data processing services	260,613	194,196	34.2%
Debt services	34,876	29,605	17.8%
Payments to fiscal agent/member districts	147,437	172,592	(14.6)%
Other intergovernmental charges	36,451	33,500	8.8%
Total expenses	10,824,731	10,865,081	(0.4)%
 Increase in Net Position	(86,738)	387,446	(122.4)%
Beginning Net Position	9,714,023	9,717,050	0.0%
Prior period adjustment (GASB 101)	-	(390,473)	(100.0)%
Ending Net Position	9,627,285	9,714,023	(0.9)%

HARLETON INDEPENDENT SCHOOL DISTRICT

The District's current year maintenance property tax rate of \$0.7575, did not change from the prior year rate. The District's current year interest and sinking property tax rate of \$0.06126, decreased 2.45 percent from the prior year rate of \$0.0628. Property tax revenues increased 0.51 percent overall due to an increase in property valuations.

The cost of governmental activities may be summarized as follows:

- The cost of all governmental activities this year was \$10,824,731.
- The amount that our taxpayers paid for these activities through property taxes was \$1,915,901.
- Some of the cost was paid by those who directly benefitted from the programs (\$181,874), or
- By operating grants (\$856,819).

The following table presents the cost of each of the District's largest functions as well as each functions net cost (total cost less fees generated by activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

Net Cost of Selected District Functions

	Total cost of services			Net cost of services		
	2025	2024	% Change	2025	2024	% Change
Instruction	5,221,781	5,426,703	(3.8)%	4,842,165	4,998,746	(3.1)%
School leadership	458,096	456,850	0.3%	458,096	456,850	0.3%
Extracurricular activities	948,338	1,414,987	(33.0)%	902,368	1,178,284	(23.4)%
General administration	402,764	368,098	9.4%	402,764	368,098	9.4%
Maintenance & operations	1,689,407	1,377,841	22.6%	1,689,407	1,377,841	22.6%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$10,984,822, a decrease of 3.27 percent from the preceding year. The net decrease is primarily due to decreased revenues from local and intermediate sources and state programs.

The District's governmental funds ended the year with a reported combined fund balance of \$7,410,860, which is \$435,745 less than last year's ending balance of \$7,846,605.

HARLETON INDEPENDENT SCHOOL DISTRICT

General Fund Budgetary Highlights

Over the course of the year the District revised the general fund budget as actual results were analyzed. Actual total expenditures were \$567,460 below final budget amounts. The most significant positive variances was in the instructional function, as the actual expenditures were less than anticipated.

Revenues were \$293,275 above the final budgeted amount, as local and intermediate sources and state program revenues were more than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the District had invested \$16,408,500 less depreciation of \$8,967,325, in a broad range of capital assets, including land, school buildings, athletic facilities, instructional equipment, and school buses. The following table provides a summary of the District's capital assets.

District's Capital Assets (Net of depreciation)			
	Governmental Activities		
	2025	2024	% Change
Land	773,220	773,220	0.0%
Buildings & improvements	5,893,687	5,910,123	(0.3)%
Equipment & vehicles	745,099	683,961	8.9%
Right-to-use leased assets	29,169	58,336	(50.0)%
Net capital assets	<u>7,441,175</u>	<u>7,425,640</u>	<u>0.2%</u>

In the current year, the District had significant capital expenditures related to athletic facilities improvements, purchasing two school vehicles, and campus safety and security improvements. The District's 2026 budget does not include any significant capital expenditures.

More detailed information about the District's capital assets is presented in the notes to the financial statements.

HARLETON INDEPENDENT SCHOOL DISTRICT

Long-term Debt

The following table provides a summary of the District's long-term debt:

District's Long-term Debt

	Governmental Activities		
	2025	2024	% Change
Notes and loans	231,000	448,000	(48.4)%
Refunding bonds	150,000	296,000	(49.3)%
Lease obligations	29,169	58,336	(50.0)%
Total long-term debt payable	<u>410,169</u>	<u>802,336</u>	<u>(48.9)%</u>

The District's bonds presently carry a favorable rating of AAA with Standard and Poors. More detailed information about the District's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values used for the 2026 budget preparation are \$219,406,508, which is a 3.51 percent decrease from 2025 actuals.
- The District's 2026 average daily attendance is expected to be 655, which is a 0.46 percent decrease from 2025.

These indicators were taken into account when adopting the general fund budget for 2026. Amounts available for expenditure in the general fund budget are \$10,052,501, an increase of 4.81 percent from the final 2025 budget of \$9,591,494. The District will use these revenues to finance programs we currently offer.

General fund expenditures are budgeted to decrease by 5.15 percent to \$10,391,045. If these estimates are realized, the District's budgetary general fund balance is expected to decrease in 2026.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information contact the District's Business Manager, 17000 State Highway 154, Harleton, Texas 75651.

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Government-Wide Financial Statements

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

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and cash equivalents	877,923
1120 Investments - current	6,553,484
1220 Property taxes receivable - delinquent	368,982
1230 Allowance for uncollectible taxes (credit)	(295,185)
1240 Due from other governments	476,324
Capital Assets:	
1510 Land	773,220
1520 Buildings, net	5,893,687
1530 Furniture and equipment, net	745,099
1550 Right-to-use leased assets, net	29,169
1000 Total assets	<u>15,422,703</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred outflow related to TRS - Pension	613,222
1706 Deferred outflow related to TRS - OPEB	1,155,283
1700 Total deferred outflows of resources	<u>1,768,505</u>
LIABILITIES	
2110 Accounts payable	8,722
2140 Interest payable	11,620
2160 Accrued wages payable	477,920
2200 Accrued expenses	10,229
Long Term Liabilities:	
2501 Due within one year	410,169
2502 Due after one year	555,236
2540 Net pension liability	2,131,109
2545 Net OPEB liability	1,797,473
2000 Total liabilities	<u>5,402,478</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred inflow related to TRS - Pension	253,779
2606 Deferred inflow related to TRS - OPEB	1,907,666
2600 Total deferred inflows of resources	<u>2,161,445</u>
NET POSITION	
3200 Net investment in capital assets	7,031,006
3820 Restricted for Federal and State programs	163,493
3850 Restricted for debt service	400,828
3900 Unrestricted net position	2,031,958
3000 Total net position	<u>9,627,285</u>

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

Data Control Codes	1 Expenses	Program Revenues		5 Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		3 Charges for Services	4 Operating Grants and Contributions		
Governmental activities:					
11 Instruction	5,221,781	88,528	291,088	-	(4,842,165)
12 Instructional resources and media services	341,400	-	-	-	(341,400)
13 Curriculum and staff development	29,434	-	-	-	(29,434)
23 School leadership	458,096	-	-	-	(458,096)
31 Guidance, counseling, and evaluation	271,824	-	-	-	(271,824)
33 Health services	45,985	-	-	-	(45,985)
34 Student transportation	320,032	-	-	-	(320,032)
35 Food service	488,358	47,376	438,474	-	(2,508)
36 Cocurricular/extracurricular activities	948,338	45,970	-	-	(902,368)
41 General administration	402,764	-	-	-	(402,764)
51 Plant maintenance and operations	1,689,407	-	-	-	(1,689,407)
52 Security and monitoring services	127,935	-	127,257	-	(678)
53 Data processing services	260,613	-	-	-	(260,613)
72 Interest on long-term debt	34,876	-	-	-	(34,876)
93 Payments related to SSA	147,437	-	-	-	(147,437)
99 Other intergovernmental charges	36,451	-	-	-	(36,451)
TP Total primary government	10,824,731	181,874	856,819	-	(9,786,038)

Data Control Codes	General revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	1,773,234
DT	Property taxes, levied for debt service	142,667
SF	State aid formula grants	7,134,279
GC	Grants and contributions, not restricted to specific programs	321,875
IE	Investment earnings	288,097
MI	Miscellaneous	39,148
TR	Total general revenues	<u>9,699,300</u>
CN	Change in net position	(86,738)
NB	Net position, beginning	10,104,496
PA	Prior period adjustment required by GASB 101	(390,473)
NE	Net position, ending	<u><u>9,627,285</u></u>

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Governmental Fund Financial Statements

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HARLETON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS			
1110 Cash and cash equivalents	544,087	333,836	877,923
1120 Investments - current	6,341,474	212,010	6,553,484
1220 Property taxes receivable - delinquent	342,838	26,144	368,982
1230 Allowance for uncollectible taxes (credit)	(274,270)	(20,915)	(295,185)
1240 Due from other governments	447,280	29,044	476,324
1000 Total Assets	<u>7,401,409</u>	<u>580,119</u>	<u>7,981,528</u>
LIABILITIES			
2110 Accounts payable	8,722	-	8,722
2160 Accrued wages payable	467,528	10,392	477,920
2200 Accrued expenditures	10,052	177	10,229
2000 Total Liabilities	<u>486,302</u>	<u>10,569</u>	<u>496,871</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable revenue - property taxes	68,568	5,229	73,797
2600 Total Deferred Inflows of Resources	<u>68,568</u>	<u>5,229</u>	<u>73,797</u>
FUND BALANCES			
Restricted fund balance:			
3450 Federal or State grants	-	163,493	163,493
3480 Retirement of long-term debt	-	400,828	400,828
Committed fund balance:			
3510 Construction	3,500,000	-	3,500,000
3540 Self Insurance	45,500	-	45,500
3600 Unassigned fund balance	3,301,039	-	3,301,039
3000 Total Fund Balances	<u>6,846,539</u>	<u>564,321</u>	<u>7,410,860</u>
4000 Total Liabilities, Deferred Inflows and Fund Balances	<u>7,401,409</u>	<u>580,119</u>	<u>7,981,528</u>

The accompanying notes are an integral part of this statement

HARLETON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2025

Total fund balances - governmental funds	7,410,860
1 Capital assets used in governmental activities are not financial resources, and therefore; they are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$15,733,486 and the accumulated depreciation was \$8,307,846. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore; they are not reported as liabilities in the governmental funds. The net effect of including beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	6,624,869
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.	1,096,553
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$2,131,109, a deferred resource inflow related to TRS in the amount of \$253,779, and a deferred resource outflow related to TRS in the amount of \$613,222. This amounted to a decrease in net position in the amount of \$1,771,666.	(1,771,666)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$1,797,473, a deferred resource inflow related to TRS in the amount of \$1,907,666, and a deferred resource outflow related to TRS in the amount of \$1,155,283. This amounted to a decrease in net position in the amount of \$2,549,856.	(2,549,856)
5 The current depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(690,416)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying debt proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications is to increase (decrease) net position.	<u>(493,059)</u>
7 Net Position of governmental activities	<u>9,627,285</u>

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

Data Control Codes		10		
		General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
5700	Total local and intermediate sources	2,222,969	200,089	2,423,058
5800	State program revenues	7,606,124	224,320	7,830,444
5900	Federal program revenues	55,676	675,644	731,320
5020	Total revenues	9,884,769	1,100,053	10,984,822
EXPENDITURES				
0011	Instruction	4,950,991	291,088	5,242,079
0012	Instructional resources and media services	349,111	-	349,111
0013	Curriculum and staff development	29,434	-	29,434
0023	School leadership	477,296	-	477,296
0031	Guidance, counseling, and evaluation services	281,424	-	281,424
0033	Health services	48,472	-	48,472
0034	Student transportation	386,878	-	386,878
0035	Food service	-	463,798	463,798
0036	Cocurricular/extracurricular activities	926,182	-	926,182
0041	General administration	408,052	-	408,052
0051	Plant maintenance and operations	1,744,349	1,020	1,745,369
0052	Security and monitoring services	59,619	127,257	186,876
0053	Data processing services	268,238	-	268,238
0071	Principal on long-term debt	246,167	146,000	392,167
0072	Interest on long-term debt	28,000	5,553	33,553
0093	Payments related to shared services	147,437	-	147,437
0099	Other intergovernmental charges	36,451	-	36,451
6030	Total expenditures	10,388,101	1,034,716	11,422,817
1100	Excess (deficiency) of revenues over expenditures	(503,332)	65,337	(437,995)
OTHER FINANCING SOURCES (USES)				
7912	Sale or real and personal property	2,250	-	2,250
7915	Transfers in	-	-	-
8911	Transfers out	-	-	-
7080	Total other financing sources and uses	2,250	-	2,250
1200	Net change in fund balances	(501,082)	65,337	(435,745)
0100	Fund balance - September 1 (beginning)	7,347,621	498,984	7,846,605
3000	Fund balance - August 31 (ending)	6,846,539	564,321	7,410,860

The accompanying notes are an integral part of this statement

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

Net change in fund balances - governmental funds	(435,745)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase net position.	1,096,553
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(690,416)
Current year changes in amounts related to GASB 68 increased revenues in the amount of \$111,358, and increased expenditures in the amount of \$222,771. The net effect on the change in the ending net position was a decrease in the amount of \$111,413.	(111,413)
Current year changes in amounts related to GASB 75 decreased revenues in the amount of \$360,149, and decreased expenditures in the amount of \$579,241. The net effect on the change in the ending net position was an increase in the amount of \$219,092.	219,092
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying debt proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications is to increase (decrease) net position.	<u>(164,809)</u>
Change in net position of governmental activities	<u><u>(86,738)</u></u>

Fiduciary Fund Financial Statements

DRAFT
For Discussion Purposes Only

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

	Private Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and cash equivalents	35,943	151,146
Total Assets	<u>35,943</u>	<u>151,146</u>
NET POSITION		
Restricted for scholarships	35,943	-
Restricted for other purposes	-	151,146
Total Net Position	<u>35,943</u>	<u>151,146</u>

DRAFT
For Discussion Purposes Only

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

	Private Purpose Trust Fund	Custodial Fund
ADDITIONS:		
Miscellaneous revenue - student activity	-	227,470
Earnings from temporary deposits	23	83
Contributions, gifts, and donations	8,850	-
Total Additions	<u>8,873</u>	<u>227,553</u>
DEDUCTIONS:		
Professional and contracted services	-	22,912
Supplies and materials	-	137,469
Other deductions	17,750	71,792
Total Deductions	<u>17,750</u>	<u>232,173</u>
Change in Net Position	(8,877)	(4,620)
Total Net Position - September 1 (Beginning)	<u>44,820</u>	<u>155,766</u>
Total Net Position - August 31 (Ending)	<u>35,943</u>	<u>151,146</u>

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**HARLETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

Harleton Independent School District (District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (Board) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board; and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

The Board is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. The Board has the primary accountability for all fiscal matters. Because of this, the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) in its statement No. 14, "The Financial Reporting Entity," including subsequent revisions. There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities. Individual funds are not displayed but the statements present Governmental Activities which include programs supported by ad valorem taxes, state aid formula grants, and federal grants.

The statement of activities reports the expenses of the District's functions offset by program revenues directly connected with the function. A function is a general operational area in the District that groups together similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the function. Program revenues include: (1) charges for services which report fees and other charges to users of the District's services such as tuition paid by students not residing in the District, athletic gate receipts, and school lunch charges; and (2) operating grants and contributions which finance annual operating activities of the District. Taxes, state aid formula grants, and other revenue sources not properly included with program revenues are reported as general revenues.

All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/from on the government-wide statement of net position.

**HARLETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025**

Fund Financial Statements

Fund financial statements provide reports on the financial condition and results of operations for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. Interfund activity between governmental funds appear as due to/from on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance.

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

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grant revenues are recognized when allowable expenditures are made under the provisions of the grant.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for unmatured bond principal and interest on long-term debt, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, state aid formula grants, and investment income. In general, other revenues are recognized when cash is received.

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

The District does not allocate general administration or support services expenses to other functions.

D. FUND TYPES AND MAJOR FUNDS

The District accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The District has established several individual funds that are organized within a separate set of self-balancing accounts comprised of assets, liabilities, fund balance, revenues, and expenditures or expenses as appropriate. Governmental resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. District accounts are organized into funds as described below:

**HARLETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025**

Major Governmental Funds:

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

Non Major Governmental Funds:

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

Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt.

Other Fund Types:

Private Purpose Trust Fund - The District accounts for donations for which the donor has stipulated that both the principal and income may be used for purposes that benefit parties outside the District. The District's private purpose trust fund is a scholarship fund.

Custodial Fund - The District accounts for resources held for others in the custodial fund. The District's custodial fund is used to account for the activities of student groups and other organizational activities.

E. OTHER ACCOUNTING POLICIES

Cash and Cash Equivalents - The District considers deposits and highly liquid investments with a maturity date of three months or less and all local government pools to be cash equivalents.

Capital Assets and Depreciation - The District's property, plant, and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The District generally capitalizes assets with a cost of \$5,000 or more as purchases or construction occurs. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight line method. The District has elected not to report major general infrastructure assets retroactively. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded. Estimated useful lives, in years, for capital assets are as follows:

Buildings	10-45
Improvements (including infrastructure)	5-15
Transportation equipment	5-15
Furniture, fixtures, and equipment	3-10

The governmental fund financial statements recognize capital outlay as an expense of the current period. Proceeds from the sale of capital assets are reported as other financing sources when received.

**HARLETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025**

Long-Term Debt - In the government-wide financial statements, any outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period and principal and interest payments are recognized as an expense of the current period.

Leases - The District is the lessee for noncancelable leases of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

Compensated Absences - In the government-wide financial statements, a liability is recognized for leave that satisfies the following requirements; 1) the leave is attributable to services already rendered, 2) the leave accumulates and carries forward to future periods, 3) the leave is more likely than not to be used or settled through cash or other means, and 4) the leave does not expire. The total compensated absences liability was \$555,236 at August 31, 2025, and is included in the long-term liabilities due after one year on the government-wide statement of net position.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

Net Position and Fund Balance - Net position in the statement of net position include components that are restricted for use in a federal or state program or to pay debt service on capital related debt. Unassigned fund balance in the governmental funds financial statements represents that portion of fund balance that is available for budgeting in future periods. The assigned fund balance represents fund balance that has been implicitly assigned as it is accounted for in particular funds, other than the general fund. Restricted fund balance is that portion of fund balance which is not available for appropriation or which has been legally separated for specific purposes. As of August 31, 2025, the Special Revenue Fund restricts \$145,809 for the food service program and \$17,684 for the state textbook program. The Debt Service Fund restricts \$400,828 for retirement of debt. The General fund has \$3,500,000 committed for future construction projects and \$45,500 committed for self insurance.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

**HARLETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025**

Fund Balance Policy - The District reports fund balances for governmental funds in classifications based primarily on the extent to which the entity is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The non-spendable classification represents assets that will be consumed or maintained intact; and, therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the restricted classification. The nature of these two classifications precludes a need for a policy from the Board. However, the Board has adopted fund balance policies for the three unrestricted classifications - committed, assigned, and unassigned.

The District's restricted fund balances represent amounts for retirement of long term debt, operation of the food service, and operation of shared service arrangements.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures are charged to restricted balances. When the entity incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to committed, assigned and then unassigned.

Pensions - The fiduciary net position of the Teachers 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 the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Subsequent Events - Management has evaluated subsequent events through January 6, 2026, the date the financial statements were available to be issued.

F. BUDGETARY DATA

The Board of Trustees adopts an annual budget consistent with generally accepted accounting principles for the General Fund, the Food Service Fund (which is included in the Special Revenue Funds), and the Debt Service Fund. The District is required to present the adopted and final budgeted revenues and expenditures for each of these funds.

**HARLETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025**

The following procedures are followed in establishing the budgetary data reflected in the budgetary comparison schedules.

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meeting. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year end. During the year ended August 31, 2025, the District made significant budget amendments to the instruction and the plant maintenance and operations functions, increasing the overall appropriations from the original budget.
4. Each budget is monitored by the business manager at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments. The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District 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 stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments. In compliance with the Public Funds Investments Act, the District has adopted a deposit and investment policy. The policy addresses the following risks:

**HARLETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025**

Deposits

Custodial Credit Risk - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is that the funds of the District must be deposited under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The District was not exposed to custodial credit risk as the District's cash deposits at 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 as follows:

1. Depository: First National Bank of Hughes Springs, Harleton, Texas
2. The market value of securities pledged was \$3,177,154.
3. The combined balances of cash, savings, and time deposit accounts amounted to \$2,636,150.
4. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

Investments

Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The District was not exposed to credit risk at August 31, 2025.

Custodial Credit Risk - 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 name of the District. The District did not have any investments exposed to custodial credit risk at August 31, 2025.

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District was not exposed to interest rate risk at August 31, 2025.

Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The District was not exposed to concentration of credit risk at August 31, 2025.

Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The District was not exposed to foreign currency risk at August 31, 2025.

Included in cash and cash equivalents are interest bearing checking accounts.

The District's temporary investments at August 31, 2025, which are reported as current investments, included certificates of deposit at the District's depository bank in the amount of \$1,782,350 and deposits with Investment Pools (Pools) in the amount of \$4,771,134 with Lone Star.

The Pools used by the District are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas

**HARLETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025**

Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of the District's funds in authorized short-term investments.

The investments in the Pools are based on contractual agreements and not the individual security itself, therefore; the District's investments in the Pools are not categorized as to credit risk. The market values of the Pools are based on quoted market values of underlying investments of the Pools. Authorized investments include obligations of the United States, or its agencies and instrumentalities; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the United States or its agencies and instrumentalities; and other investments authorized by statutes governing public funds investment pools.

The Pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in the pool is the same as the value of the shares in the Pool. The purpose of the Pools is to allow for the pooling of public funds to provide a higher yield on the pooled investments than would be possible with the investment of the individual public entity's funds. The investments in the Pools and any accrued interest may be redeemed at the District's discretion.

The Pools are not registered with the SEC, however TASB exercises oversight responsibility over Lone Star, and is governed by a board of directors, with JP Morgan Chase acting as the investment manager and First Southwest Asset Management, Inc. serving as service and marketing agent.

B. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNEARNED REVENUE

Property Tax Calender, Property Tax Receivables, and Unearned Revenue

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. In the governmental fund financial statements, property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

Delinquent tax collections are prorated between maintenance and debt service based on rates adopted for year of the levy. Delinquent taxes receivable not paid within 60 days of year end, are recorded as deferred inflows of resources, net of an estimated allowance for uncollectible taxes. Allowances for uncollectible tax receivables are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

In the government-wide financial statements, property taxes receivable, net of an allowance for uncollectible taxes, and related revenue include all amounts due to the District regardless of when the cash is received.

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

Due To/From Other Governments and Unearned Revenue

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. These amounts are reported in the governmental fund financial statements as Due from Other Governments. Amounts due from federal, state, and other governments as of August 31, 2025 are summarized below:

Fund	Federal Grants	State Programs	Total
General Fund	-	447,280	447,280
Special Revenue Funds	29,044	-	29,044
	<u>29,044</u>	<u>447,280</u>	<u>476,324</u>

Deferred inflows of resources at year end consisted of the following:

Description	General Fund	Debt Service Fund	Total
Unavailable Revenue - Property Taxes	<u>68,568</u>	<u>5,229</u>	<u>73,797</u>

C. INTERFUND BALANCES AND TRANSFERS

Transfers are used to move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them or to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. There were no interfund due to/from balances at August 31, 2025, and there were no interfund transfers during the year ended August 31, 2025.

D. DISAGGREGATION OF RECEIVABLES

The District disaggregates significant components of receivables in the financial statements. The only receivable not expected to be collected within one year is \$295,185 of delinquent property taxes.

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

E. CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Governmental Activities:				
Land	773,220	-	-	773,220
Buildings and improvements	12,064,118	421,773	-	12,485,891
Vehicles and equipment	2,752,070	284,178	(30,937)	3,005,311
Right-to-use leased assets	144,078	-	-	144,078
Totals at cost	<u>15,733,486</u>	<u>705,951</u>	-	<u>16,408,500</u>
Less accumulated depreciation:				
Buildings and improvements	6,153,995	438,209	-	6,592,204
Vehicles and equipment	2,068,109	223,040	(30,937)	2,260,212
Right-to-use leased assets	85,742	29,167	-	114,909
Total accumulated depreciation	<u>8,307,846</u>	<u>690,416</u>	-	<u>8,967,325</u>
Governmental activities capital assets, net	<u>7,425,640</u>	<u>15,535</u>	-	<u>7,441,175</u>

Depreciation was charged to governmental functions as follows:

Instruction	178,358
Instructional Leadership	5,471
School Leadership and Counseling	3,282
Student Transportation	83,318
Food Services	38,484
Cocurricular/Extracurricular	271,180
General Administration	3,995
Plant Maintenance	71,799
Security and Monitoring	32,537
Data processing	1,992
Total Depreciation Expense	<u>690,416</u>

F. LONG-TERM DEBT

In prior years, the District, as authorized by Texas Education Code Section 45.001 and 45.003, authorized the issuance of Unlimited Tax Refunding Bonds to provide funds for the construction, acquisition, and purchasing of equipment for new school buildings, and to refund older bonds.

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

Bonds currently outstanding are as follows:

- Series 2014, issued in the original amount of \$1,585,000. Interest rates range from 2.49% to 4.60%. The bonds final maturity is 2026.

The sale of the Series 2014 bond issue resulted in premiums received, which are being amortized over the life of the bonds. At the issuance of these refunding bonds, the reacquisition price exceeded the net carrying amount of the old debt. This amount is included on the government-wide statement of net position as a deferred outflow and is amortized over the new debt's life.

In prior years, the District issued \$2,346,000 Maintenance Tax Note, Series 2010, with interest rate of 6.25%. The note matures serially December 15, 2011 through December 15, 2026, with interest payable each February and August until maturity.

Certain Series 2010 notes include an irrevocable election to receive directly from the United States Department of Treasury a tax credit equal to the amount of interest which would have been payable on the Securities by the Issuer if such interest were determined at a cost rate determined under Section 54A(b)(3) of the Internal Revenue Code (which credit rate applicable to the Notes is 6.25% per annum), which election is based on the Securities' qualification as "Qualified School Construction Bonds" under section 54F of the Code and as "qualified bonds" under subsection 6431(f)(1)(A) of the Code, and the Issuer's irrevocable election to treat the Securities as such at the time of their issuance. During the year ended August 31, 2025, the District received an interest subsidy in the amount of \$43,109.

In prior years, the District entered into a lease agreement for athletic scoreboards. The lease has an interest rate of 0.00%, annual payments of \$29,168, and a maturity date of May, 2026. The total net book value of the scoreboards at August 31, 2025 was \$29,169, including accumulated depreciation of \$87,502.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Governmental Activities:					
School Refunding Bonds, 2014	296,000	-	146,000	150,000	150,000
Maintenance Tax Note, 2010	448,000	-	217,000	231,000	231,000
Lease obligations	58,336	-	29,167	29,169	29,169
Total	802,336	-	392,167	410,169	410,169
Unamortized bond premium	938	-	938	-	-
Total long term debt	803,274	-	393,105	410,169	410,169

Long term liabilities due after one year reported on the government-wide statement of net position include compensated absences in the amount of \$555,236.

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

Annual debt service requirements to maturity for the District's long term debt are as follows:

Year ending August 31,	Bond Principal	Bond Interest	Maintenance Tax Notes Principal	Maintenance Tax Notes Interest
2026	150,000	1,867	231,000	14,438
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
Thereafter	-	-	-	-
Totals	150,000	1,867	231,000	14,438

Year ending August 31,	Lease Principal	Lease Interest
2026	29,169	-
2027	-	-
2028	-	-
2029	-	-
2030	-	-
Totals	29,169	-

G. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2025, revenues from local and intermediate sources reported in the governmental funds consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Funds	Total
Property Taxes	1,699,065	-	137,053	1,836,118
Food Service	-	47,689	-	47,689
Investment earnings	278,320	59	9,718	288,097
Penalties, interest, and other tax	74,501	-	5,570	80,071
Tuition and fees	40,550	-	-	40,550
Co-curricular student activities	45,967	-	-	45,967
Other	84,566	-	-	84,566
Total	2,222,969	47,748	152,341	2,423,058

**HARLETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025**

H. PENSION PLAN AND RETIREE HEALTH PLAN

Defined Benefit Pension Plan

Plan Description. The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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 exempt under Texas Government Code, Title 8, Section 822.002 are covered by the system.

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

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

**HARLETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025**

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

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

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

- A 2% COLA for eligible retirees who retired between 9/1/2013 and 8/31/2020
- A 4% COLA for eligible retirees who retired between 9/1/2001 and 8/31/2013
- A 6% COLA for eligible retirees who retired before 8/31/2001

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

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 2019 thru 2025.

	2025	2024
Member	8.25%	8.25%
Non-Employer Contribution Rate (State)	8.25%	8.25%
Employers	8.25%	8.25%
District's Employer Contributions	\$ 190,149	\$ 195,425
District's Member Contributions	\$ 483,896	\$ 476,073
District's NECE On-Behalf Contributions	\$ 376,850	\$ 337,601

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).

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

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

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

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

Net Pension Liability. The components of the net pension liability of the plan as of August 31, 2024 are disclosed below:

Components of Liability	Amount
Total Pension Liability	271,627,434,294
Less: Plan Fiduciary Net Position	(210,543,258,495)
Net Pension Liability	<u><u>61,084,175,799</u></u>
Net Position as a % of Total Pension Liability	<u><u>77.51%</u></u>

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

Actuarial Assumptions. The total pension liability in the August 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate	3.87%*
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Last Year Ending 8/31 in Projection Period	2123
Ad hoc Post Employment Benefit Changes	None

** - Source for the rate is the Bond Buyers 20 Index which estimates the yield of a portfolio of 20 general bond obligations maturing in 20 Years based on a survey of municipal bond traders.*

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

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

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated 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.

HARLETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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			
U.S.	18.0%	4.4%	1.0%
Non-U.S. Developed	13.0%	4.2%	0.8%
Emerging Markets	9.0%	5.2%	0.7%
Private Equity	14.0%	6.7%	1.2%
Stable Value			
Government Bonds	16.0%	1.9%	0.4%
Absolute Return	0.0%	4.0%	0.0%
Stable Value Hedge Funds	5.0%	3.0%	0.2%
Real Return			
Real Estate	15.0%	6.6%	1.2%
Energy, Natural Resources and Infrastructure	6.0%	5.6%	0.4%
Commodities	0.0%	2.5%	0.0%
Risk Parity			
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)%
Total	100%		7.9%

* Absolute Return includes Credit Sensitive Investments.

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

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

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

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

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	\$3,403,572	\$2,131,109	\$1,076,494

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

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 \$2,131,109 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$2,131,109
State's proportionate share that is associated with the District	<u>4,084,853</u>
Total	<u><u>\$6,215,962</u></u>

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

At August 31, 2024 the employer's proportion of the collective net pension liability was 0.0034888%, compared to 0.0038669% as of August 31, 2023, which is a decrease of 9.78%.

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

The Texas 2023 Legislature passed Senate Bill 10 (SB10) that provides a stipend payment to certain retirees and a variable ad hoc COLA to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, the adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB10 and House Joint Resolution 2 (HJR2) of the 88th Regular Legislative Session appropriated payments of \$1.645 billion for one-time stipends and \$3.355 billion for COLAs. The appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated the funds for this one-time stipend and COLA, there was no impact on the net pension liability of TRS.

For the year ended August 31, 2025, the District recognized pension expense of \$488,208 and revenue of \$376,850 for support provided by the State in the Government-wide Statement of Activities.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$117,464	\$16,639
Changes in actuarial assumptions	110,034	14,752
Difference between projected and actual investment earnings	12,955	-
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	182,620	222,388
Contributions paid to TRS subsequent to the measurement date	190,149	-
Total	\$613,222	\$253,779

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

Fiscal year:	Pension Expense Amount
2026	\$221,653
2027	244,697
2028	65,465
2029	(41,681)
2030	(429)
Thereafter	-

I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Other Post -Employment Benefit Plan (OPEB)

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

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

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

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

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

TRS-Care Plan Premium Rates
Effective January 1, 2024 - December 31, 2024

	Medicare	Non-Medicare
Retiree (or surviving spouse)	\$135	\$200
Retiree and spouse	\$529	\$689
Retiree or surviving spouse and children	\$468	\$408
Retiree and family	\$1,020	\$999

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of pay. Section 1575.204 establishes an employer 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 public. The actual contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2024.

HARLETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The following table shows contributions to the TRS-Care plan by type of contributor.

	2025	2024
Member	0.65%	0.65%
Non-Employer Contribution Rate (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
District's Employer Contributions	\$ 50,681	\$ 54,504
District's Member Contributions	\$ 38,124	\$ 37,509
District's NECE On-Behalf Contributions	\$ 67,403	\$ 67,016

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

In addition to the pension plan and TRS-Care state contributions on behalf of the District, the District is allocated a portion of the Medicare Part D retiree drug subsidy that TRS-Care receives. The amounts allocated on behalf of the District were \$41,576, \$30,800 and \$29,966 for the years ended August 31, 2025, 2024 and 2023, respectively.

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

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

The active mortality rates were based on PUB(2010), amount-weighted, below-median income, teacher males 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.

HARLETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries “Health Care Cost - From Birth to Death”
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	2.95% to 8.95%, including inflation
Ad hoc Post Employment Benefit Changes	None

The initial medical trend rate was 6.75 percent for non-Medicare retirees. For the 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 decreased due to an ultimate trend rate of 4.25 percent over a period of 11 years.

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.87%)	Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the OPEB liability:	\$2,135,482	\$1,797,473	\$1,524,357

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2025, the District reported a liability of \$1,797,473 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

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

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective OPEB liability	\$1,797,473
State's proportionate share that is associated with the District	<u>2,252,209</u>
Total	<u><u>\$4,049,682</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 employer's proportion of the Net OPEB Liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At August 31, 2024 the employer's proportion of the collective Net OPEB Liability was 0.00592218%, compared to 0.00640238% as of August 31, 2023, which is a decrease of 7.50%.

Healthcare Cost Trend Rates Sensitivity Analysis - The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	1% Decrease in Health Care Cost Trend Rate	Current Health Care Cost Trend Rate	1% Increase in Health Care Cost Trend Rate
District's proportionate share of the OPEB liability:	\$1,463,775	\$1,797,473	\$2,232,315

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

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

Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2025, the District recognized an OPEB benefit of \$292,746 and revenue of \$67,403 for support provided by the State.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$344,515	\$897,036
Changes in actuarial assumptions	230,055	586,495
Difference between projected and actual investment earnings	-	5,034
Changes in proportion and difference between the employer's contribution and the proportionate share of contributions	530,032	419,101
Contributions paid to TRS subsequent to the measurement date	50,681	-
Total	<u>\$1,155,283</u>	<u>\$1,907,666</u>

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

Fiscal year:	OPEB Expense Amount
2026	(\$165,226)
2027	(134,497)
2028	(187,104)
2029	(179,154)
2030	(81,145)
Thereafter	(5,257)

J. HEALTH CARE COVERAGE

During the year ended August 31, 2025, employees of the District were covered by a state wide health care program known as TRS-Active Care. This plan is administered by the Teacher Retirement System of Texas. The District contributed \$275 per month per employee to TRS, and employees, at their option, authorized payroll withholdings to fund contributions for dependents.

**HARLETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025**

K. LITIGATION AND CONTINGENCIES

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

L. JOINT VENTURE - SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement for special education programs with area districts. The District does not account for the revenues or expenditures in these programs and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Waskom ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor liabilities that would give rise to future additional benefit or burden to the District. The fiscal manager is responsible for all financial activities of the shared services arrangement.

Presented below are the expenditures attributable to the District's participation.

Program	CFDA Number	District Value
State & Local	--	212,064
IDEA-B, Formula	84.027A	128,998
IDEA-B, Formula (COVID)	84.027A	511
Total		<u><u>341,573</u></u>

M. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended August 31, 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.

Self Funded Workers' Compensation

The District has joined together with other area districts to form a self-insurance workers' compensation risk pool (Pool.) Claims administration and processing for the Pool is provided by Claim Administrative Services, Inc. The agreement for the formation of the Pool provides that the Pool will be self sustaining through member premiums and will reinsurance through commercial insurance companies for claims in excess of \$500,000 for each insured event, with an unlimited aggregate. The Pool contracts with Midwest Employers Casualty Company for reinsurance.

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

The District's administrative expenses for the year ended August 31, 2025 was \$14,913. The claims administrator estimates the District's annual loss maximum at \$55,414 for the year ended August 31, 2025. Estimated total claims liability for the year ended August 31, 2025, including estimated claims incurred but not reported, amount to \$45,500. The estimated total liability for workers' compensation claims incurred but not reported claims amounted to \$27,274 at August 31, 2025.

Claims liability, beginning of year	59,042
Incurred claims:	
Provision for insured events of current year	10,023
Increase (Decrease) in provision for insured events of prior years	<u>(17,710)</u>
Total incurred claims	<u>(7,687)</u>
Payments:	
Claims expenses attributable to insured events of current year	596
Claims expenses attributable to insured events of prior years	<u>5,259</u>
Total payments	<u>5,855</u>
Total unpaid claims at the end of the year	<u><u>45,500</u></u>

N. PRIOR PERIOD ADJUSTMENT

Effective September 1, 2024, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. As a result, compensated absences liabilities now include additional types of leave such as parental, military, and jury duty leave, when the leave has commenced. The liability at year-end is measured based on the leave balances as of August 31, 2025, adjusted for expected usage and applicable compensation rates. Adoption of GASB 101 required a prior period adjustment to report the effect retroactively. The amount of the prior period adjustment is (\$390,473). The restated beginning net position at September 1, 2024 is \$9,714,023. Prior year comparative data has been restated to include the liability as measured at August 31, 2024.

Required Supplementary Schedules

DRAFT
For Discussion Purposes Only

DRAFT
For Discussion Purposes Only

**HARLETON INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2025**

Data Control Codes		Budgeted Amounts		Variance With Final Budget Positive (Negative)
		Original	Final	
		(GAAP Basis)		
REVENUES:				
5700	Local and intermediate sources	2,007,403	2,007,403	2,222,969 215,566
5800	State program revenues	7,028,254	7,509,854	7,606,124 96,270
5900	Federal program revenues	74,237	74,237	55,676 (18,561)
5020	Total revenues	9,109,894	9,591,494	9,884,769 293,275
EXPENDITURES:				
0011	Instruction	4,809,701	5,242,701	4,950,991 291,710
0012	Instructional resources and media services	341,470	366,470	349,111 17,359
0013	Curriculum and staff development	22,330	42,430	29,434 12,996
0023	School leadership	443,673	478,173	477,296 877
0031	Guidance, counseling, and evaluation services	255,572	280,572	281,424 (852)
0033	Health services	49,049	52,549	48,472 4,077
0034	Student transportation	368,418	440,918	386,878 54,040
0035	Food services	-	15,000	- 15,000
0036	Cocurricular/extracurricular activities	834,148	1,009,448	926,182 83,266
0041	General administration	385,467	450,467	408,052 42,415
0051	Plant maintenance and operations	1,136,804	1,752,504	1,744,349 8,155
0052	Security and monitoring services	64,500	64,500	59,619 4,881
0053	Data processing services	254,704	267,704	268,238 (534)
0071	Principal on long-term debt	217,000	217,000	246,167 (29,167)
0072	Interest on long-term debt	28,000	28,000	28,000 -
0093	Payments related to shared services arrangements	210,625	210,625	147,437 63,188
0099	Other intergovernmental charges	35,000	36,500	36,451 49
6030	Total expenditures	9,456,461	10,955,561	10,388,101 567,460
1100	Excess (deficiency) of revenues over expenditures	(346,567)	(1,364,067)	(503,332) 860,735
OTHER FINANCING SOURCES (USES):				
7912	Sale or real and personal property	-	-	2,250 2,250
7915	Transfers in	-	-	- -
8911	Transfers out	-	-	- -
7080	Total other financing sources (uses)	-	-	2,250 2,250
1200	Net change in fund balances	(346,567)	(1,364,067)	(501,082) 862,985
0100	Fund balance - September 1 (beginning)	7,347,621	7,347,621	7,347,621 -
3000	Fund balance - August 31 (ending)	7,001,054	5,983,554	6,846,539 862,985

The accompanying notes are an integral part of this statement

HARLETON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2025

	<u>FY 2025</u> <u>Plan Year 2024</u>	<u>FY 2024</u> <u>Plan Year 2023</u>	<u>FY 2023</u> <u>Plan Year 2022</u>
District's Proportion of the Net Pension Liability (Asset)	0.0034888%	0.0038669%	0.0037430%
District's Proportionate share of the Net Pension Liability (Asset)	\$ 2,131,109	\$ 2,656,157	\$ 2,222,117
State's Proportionate share of the Net Pension Liability (Asset) associated with the District	<u>4,084,853</u>	<u>4,511,454</u>	<u>4,105,791</u>
TOTAL	<u>\$ 6,215,962</u>	<u>\$ 7,167,611</u>	<u>\$ 6,327,908</u>
District's Covered Payroll	\$ 5,770,587	\$ 5,575,225	\$ 5,421,825
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	36.93%	47.64%	40.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.51%	73.15%	75.62%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2024 for fiscal year 2025, August 31, 2023 for fiscal year 2024, August 31, 2022 for fiscal year 2023, August 31, 2021 for fiscal year 2022, August 31, 2020 for fiscal year 2021, August 31, 2019 for fiscal year 2020, August 31, 2018 for fiscal year 2019, August 31, 2017 for fiscal year 2018, August 31, 2016 for fiscal year 2017, and August 31, 2015 for fiscal year 2016.

FY 2022 <u>Plan Year 2021</u>	FY 2021 <u>Plan Year 2020</u>	FY 2020 <u>Plan Year 2019</u>	FY 2019 <u>Plan Year 2018</u>	FY 2018 <u>Plan Year 2017</u>	FY 2017 <u>Plan Year 2016</u>	FY 2016 <u>Plan Year 2015</u>
0.0030531%	0.0031301%	0.0036532%	0.0034874%	0.0032336%	0.0034611%	0.0034944%
\$ 777,507	\$ 1,676,421	\$ 1,899,056	\$ 1,919,522	\$ 1,034,560	\$ 1,307,899	\$ 1,235,224
<u>2,068,988</u>	<u>4,422,002</u>	<u>3,682,878</u>	<u>4,150,057</u>	<u>2,537,461</u>	<u>2,978,771</u>	<u>2,851,753</u>
<u>\$ 2,846,495</u>	<u>\$ 6,098,423</u>	<u>\$ 5,581,934</u>	<u>\$ 6,069,579</u>	<u>\$ 3,572,021</u>	<u>\$ 4,286,670</u>	<u>\$ 4,086,977</u>
\$ 5,293,481	\$ 5,269,137	\$ 4,533,489	\$ 4,524,739	\$ 4,468,004	\$ 4,382,365	\$ 4,172,526
14.69%	31.82%	41.89%	42.42%	23.15%	29.84%	29.60%
88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

**HARLETON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
TEACHERS RETIREMENT SYSTEM
FOR FISCAL YEAR 2025**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contractually Required Contribution	\$ 190,149	\$ 195,425	\$ 198,710
Contribution in Relation to Contractually Required Contribution	<u>(190,149)</u>	<u>(195,425)</u>	<u>(198,710)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's Covered Payroll	 \$ 5,865,401	 \$ 5,770,587	 \$ 5,575,225
Contributions as a Percentage of Covered Payroll	3.24%	3.39%	3.56%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

2022	2021	2020	2019	2018	2017	2016
\$ 172,220	\$ 130,254	\$ 127,018	\$ 128,552	\$ 116,066	\$ 106,047	\$ 109,969
<u>(172,220)</u>	<u>(130,254)</u>	<u>(127,018)</u>	<u>(128,552)</u>	<u>(116,066)</u>	<u>(106,047)</u>	<u>(109,969)</u>
\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
\$ 5,421,825	\$ 5,293,481	\$ 5,269,137	\$ 4,533,489	\$ 4,524,739	\$ 4,468,004	\$ 4,382,365
3.18%	2.46%	2.41%	2.84%	2.57%	2.37%	2.51%

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

	FY 2025 <u>Plan Year 2024</u>	FY 2024 <u>Plan Year 2023</u>	FY 2023 <u>Plan Year 2022</u>
District's Proportion of the Net Liability (Asset) for OPEB	0.00592218%	0.00640238%	0.00598911%
District's Proportionate share of the Net OPEB Liability (Asset)	\$ 1,797,473	\$ 1,417,378	\$ 1,434,033
State's Proportionate share of the Net OPEB Liability (Asset) associated with the District	<u>2,252,209</u>	<u>1,710,284</u>	<u>1,749,295</u>
TOTAL	\$ 4,049,682	\$ 3,127,662	\$ 3,183,328
District's Covered Payroll	\$ 5,770,587	\$ 5,575,225	\$ 5,421,825
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	31.15%	25.42%	26.45%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.70%	14.94%	11.52%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts reported for FY 2025 are for measurement date August 31, 2024. The amounts reported for FY 2024 are for measurement date August 31, 2023. The amounts reported for FY 2023 are for measurement date August 31, 2022. The amounts reported for FY 2022 are for measurement date August 31, 2021. The amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

<u>FY 2022</u> <u>Plan Year 2021</u>	<u>FY 2021</u> <u>Plan Year 2020</u>	<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>
0.00547382%	0.00569763%	0.00614113%	0.00572945%	0.00531255%
\$ 2,111,499	\$ 2,165,928	\$ 2,904,215	\$ 2,860,766	\$ 2,310,228
<u>2,828,938</u>	<u>2,910,488</u>	<u>3,859,051</u>	<u>3,847,402</u>	<u>3,463,454</u>
\$ <u>4,940,437</u>	\$ <u>5,076,416</u>	\$ <u>6,763,266</u>	\$ <u>6,708,168</u>	\$ <u>5,773,682</u>
\$ 5,293,481	\$ 5,269,137	\$ 4,533,489	\$ 4,524,739	\$ 4,468,004
39.89%	41.11%	64.06%	63.22%	51.71%
6.18%	4.99%	2.66%	1.57%	0.91%

HARLETON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)
TEACHERS RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contractually Required Contribution	\$ 50,681	\$ 54,504	\$ 55,539
Contribution in Relation to Contractually Required Contribution	<u>(50,681)</u>	<u>(54,504)</u>	<u>(55,539)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 5,865,401	\$ 5,770,587	\$ 5,575,225
Contributions as a Percentage of Covered Payroll	0.86%	0.94%	1.00%

NOTE: GASB Codification, Vol. 2 P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided for the years where data is available.
 Eventually, 10 years of data should be presented.

2022	2021	2020	2019	2018
48,656 \$	43,867 \$	44,489 \$	40,689 \$	39,439
(48,656)	(43,867)	(44,489)	(40,689)	(39,439)
- \$	- \$	- \$	- \$	-
5,421,825 \$	5,293,481 \$	5,269,137 \$	4,533,489 \$	4,524,739
0.90%	0.83%	0.84%	0.90%	0.87%

**HARLETON INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2025**

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

The Texas 2023 Legislature passed Senate Bill 10 (SB10) that provides a stipend payment to certain retirees and a variable ad hoc COLA to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, the adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB10 and House Joint Resolution 2 (HJR2) of the 88th Regular Legislative Session appropriated payments of \$1.645 billion for one-time stipends and \$3.355 billion for COLAs. The appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated the funds for this one-time stipend and COLA, there was no impact on the net pension liability of TRS.

Changes of Assumptions.

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

B. Notes to Schedules for the TRS OPEB Plan

Changes of Benefit terms.

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

Changes of Assumptions.

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

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

Combining Schedules

DRAFT
For Discussion Purposes Only

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

Data Control Codes	Special Revenue Funds			
	211 ESEA Title I Part A	224 IDEA Part B Formula	240 School Lunch & Breakfast Program	255 ESEA II Training/ Recruiting
ASSETS				
1110 Cash and temporary investments	-	-	127,334	-
1120 Investments - current	-	-	-	-
1220 Property taxes receivable - delinquent	-	-	-	-
1230 Allowance for uncollectible taxes	-	-	-	-
1240 Due from other governments	-	-	29,044	-
1000 Total Assets	-	-	156,378	-
LIABILITIES				
2160 Accrued wages payable	-	-	10,392	-
2200 Accrued expenditures	-	-	177	-
2000 Total Liabilities	-	-	10,569	-
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable revenue - property taxes	-	-	-	-
2600 Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State grants	-	-	145,809	-
3480 Retirement of long-term debt	-	-	-	-
3000 Total Fund Balances	-	-	145,809	-
4000 Total Liabilities, Deferred Inflows and Fund Balances	-	-	156,378	-

Special Revenue Funds				Total	599	Total
270	289	410	429	Nonmajor	Debt	Nonmajor
ESEA	Other	State	Other	Special	Service	Governmental
Title V	Federal	Textbook	State	Revenue Funds	Fund	Funds
Part B	Programs	Fund	Programs			
-	-	17,684	-	145,018	188,818	333,836
-	-	-	-	-	212,010	212,010
-	-	-	-	-	26,144	26,144
-	-	-	-	-	(20,915)	(20,915)
-	-	-	-	29,044	-	29,044
<hr/>				<hr/>		
-	-	17,684	-	174,062	406,057	580,119
<hr/>				<hr/>		
-	-	-	-	10,392	-	10,392
-	-	-	-	177	-	177
<hr/>				<hr/>		
-	-	-	-	10,569	-	10,569
<hr/>				<hr/>		
-	-	-	-	-	5,229	5,229
-	-	-	-	-	5,229	5,229
<hr/>				<hr/>		
-	-	17,684	-	163,493	-	163,493
-	-	-	-	-	400,828	400,828
<hr/>				<hr/>		
-	-	17,684	-	163,493	400,828	564,321
<hr/>				<hr/>		
-	-	17,684	-	174,062	406,057	580,119

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

Data Control Codes	Special Revenue Funds			
	211	224	240	255
	ESEA	IDEA	School Lunch	ESEA II
	Title I	Part B	& Breakfast	Training/ Recruiting
	Part A	Formula	Program	
REVENUES				
5700	Total local and intermediate sources	-	-	47,748
5800	State program revenues	-	-	20,648
5900	Federal program revenues	167,750	47,800	417,826
5020	Total Revenues	<u>167,750</u>	<u>47,800</u>	<u>29,467</u>
EXPENDITURES				
0011	Instruction	167,750	47,800	-
0035	Food service	-	-	463,798
0051	Facilities maintenance and operations	-	-	1,020
0052	Security and monitoring services	-	-	-
0071	Debt service - principal on long-term debt	-	-	-
0072	Debt service - interest on long-term debt	-	-	-
0073	Debt service - bond issuance cost and fees	-	-	-
6030	Total Expenditures	<u>167,750</u>	<u>47,800</u>	<u>464,818</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	-	-	21,404
OTHER FINANCING SOURCES (USES)				
7915	Transfers in	-	-	-
8949	Transfers out	-	-	-
7080	Total other financing sources and uses	-	-	-
1200	Net change in fund balances	-	-	21,404
0100	Fund balances, beginning	-	-	124,405
3000	Fund balances, ending	<u>-</u>	<u>-</u>	<u>145,809</u>

Special Revenue Funds						
270	289	410	429	Total	599	Total
ESEA	Other	State	Other	Nonmajor	Debt	Nonmajor
Title V	Federal	Textbook	State	Special	Service	Governmental
Part B	Programs	Fund	Programs	Revenue Funds	Fund	Funds
-	-	-	-	47,748	152,341	200,089
-	-	37,171	135,990	193,809	30,511	224,320
-	12,801	-	-	675,644	-	675,644
-	12,801	37,171	135,990	917,201	182,852	1,100,053
<hr/>						
-	12,801	24,537	8,733	291,088	-	291,088
-	-	-	-	463,798	-	463,798
-	-	-	-	1,020	-	1,020
-	-	-	127,257	127,257	-	127,257
-	-	-	-	-	146,000	146,000
-	-	-	-	-	5,553	5,553
-	-	-	-	-	-	-
-	12,801	24,537	135,990	883,163	151,553	1,034,716
<hr/>						
-	-	12,634	-	34,038	31,299	65,337
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	12,634	-	34,038	31,299	65,337
<hr/>						
-	-	5,050	-	129,455	369,529	498,984
-	-	17,684	-	163,493	400,828	564,321
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Required TEA Schedules

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**HARLETON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
AUGUST 31, 2025**

Last Ten Years Ended August 31,	1		2		3	
	Tax Rates		Assessed or Appraised Valuation for School			
	Maintenance	Debt Service	Tax Purposes			
2016 & Prior	Various	Various				-
2017	1.1700	0.0800	142,616,800			
2018	1.1700	0.0800	149,858,160			
2019	1.1700	0.0800	154,190,710			
2020	1.0684	0.0800	161,230,166			
2021	1.0547	0.0800	168,330,043			
2022	1.0021	0.0800	177,353,665			
2023	0.9429	0.0700	199,483,086			
2024	0.7575	0.0628	217,831,769			
2025 (School year under audit)	0.7575	0.0613	227,388,155			
1000 Totals						
8000 Total Taxes Refunded Under Section 26.1115, Tax Code						

10	20	31	32	40	50	99
Beginning Balance September 1	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance August 31	Taxes Refunded Under Section 26.1115c
88,818		14,820	281	(3,483)	70,234	
14,155		1,810	124	(131)	12,090	
12,558		1,958	134	(100)	10,366	
14,614		2,400	164	(100)	11,950	
24,535		3,130	234	(9,638)	11,533	
45,025		3,143	238	(148)	41,496	
25,375		5,375	429	(394)	19,177	
38,790		8,243	612	(3,498)	26,437	
106,555		49,112	4,072	(9,587)	43,784	
-	1,861,754	1,609,074	130,765		121,915	
370,425	1,861,754	1,699,065	137,053	(27,079)	368,982	11,880

**HARLETON INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
FOR THE YEAR ENDED AUGUST 31, 2025**

Data Control Codes		<u>Budgeted Amounts</u>		Variance	
		Original	Final	Actual Amounts (GAAP Basis)	With Final Budget Positive (Negative)
REVENUES:					
5700	Local and intermediate sources	107,115	107,115	47,748	(59,367)
5800	State program revenues	25,000	25,000	20,648	(4,352)
5900	Federal program revenues	344,357	344,357	417,826	73,469
5020	Total revenues	476,472	476,472	486,222	9,750
EXPENDITURES:					
0035	Food service	474,972	474,972	463,798	11,174
0051	Facilities maintenance and operations	1,500	1,500	1,020	480
6030	Total expenditures	476,472	476,472	464,818	11,654
1100	Excess (deficiency) of revenues over expenditures	-	-	21,404	21,404
OTHER FINANCING SOURCES (USES):					
7915	Transfers in	-	-	-	-
8911	Transfers out	-	-	-	-
7080	Total other financing sources (uses)	-	-	-	-
1200	Net change in fund balances	-	-	21,404	21,404
0100	Fund balance - September 1 (beginning)	124,405	124,405	124,405	-
3000	Fund balance - August 31 (ending)	124,405	124,405	145,809	21,404

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

Data Control Codes		Budgeted Amounts		Variance	
		Original	Final	Actual	With Final
				(GAAP Basis)	Budget Positive (Negative)
REVENUES:					
5700	Local and intermediate sources	138,139	138,139	152,341	14,202
5800	State program revenues	18,278	18,278	30,511	12,233
5020	Total revenues	156,417	156,417	182,852	26,435
EXPENDITURES:					
0071	Debt service - principal on long-term debt	146,000	146,000	146,000	-
0072	Debt service - interest on long-term debt	5,553	5,553	5,553	-
0073	Debt service - bond issuance costs and fees	4,864	4,864	-	4,864
6030	Total expenditures	156,417	156,417	151,553	4,864
1100	Excess (deficiency) of revenues over expenditures	-	-	31,299	31,299
OTHER FINANCING SOURCES (USES):					
7915	Transfers in	-	-	-	-
8911	Transfers out	-	-	-	-
7080	Total other financing sources (uses)	-	-	-	-
1200	Net change in fund balances	-	-	31,299	31,299
0100	Fund balance - September 1 (beginning)	369,529	369,529	369,529	-
3000	Fund balance - August 31 (ending)	369,529	369,529	400,828	31,299

**HARLETON INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED AUGUST 31, 2025**

Section A: Compensatory Education Programs

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	<u>Yes</u>
AP2	Does the district have written policies and procedures for its state compensatory education program?	<u>Yes</u>
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	<u>\$ 566,874</u>
AP4	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year.	<u>\$ 389,350</u>

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	<u>Yes</u>
AP6	Does the district have written policies and procedures for its bilingual education program?	<u>Yes</u>
AP7	List the total state allotment funds received for bilingual education programs during the district's fiscal year.	<u>\$ 11,020</u>
AP8	List the actual direct program expenditures for bilingual education programs during the district's fiscal year.	<u>\$ 30,062</u>

FEDERAL AWARDS SECTION

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Daniel Raney, CPA
Laurie Durbin, CPA

Certified Public Accountants

**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**

Members of the Board of Trustees of
Harleton Independent School District
Harleton, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harleton Independent School District (District), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 6, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

**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**

Members of the Board of Trustees

January 6, 2025

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Report on Compliance and Other Matters

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

Purpose of this Report

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

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.
Certified Public Accountants

January 6, 2025

**HARLETON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2025**

None identified.

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**HARLETON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2025**

There were no findings reported for the prior year.

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

None required.

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