# WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT

# ANNUAL FINANCIAL REPORT

# FOR THE YEAR ENDED AUGUST 31, 2026

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2026

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WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
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ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2026

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INTRODUCTORY SECTION

# CERTIFICATE OF BOARD

| Wellman-Union I.S.D. | Terry | 223-904 . |
|---|---|---|
| Name of School District | County | Co.- Dist Number |

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and ___ approved ___ disapproved (check one) for the year ended August 31, 2026 at a meeting of the Board of Trustees of such school district on the 9th day of November, 2026.

| _____ | _____ |
|---|---|
| Signature of Board Secretary | Signature of Board President |

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):

(attach list as necessary):

# FINANCIAL SECTION

# Terry & King, CPAs, P.C.

5707 114th Street
P.O. Box 93550
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Randel J. Terry, CPA
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Telephone - (806) 698-8858 – Fax – (866) 288-6490


## Independent Auditors' Report on Financial Statements

Board of Trustees
Wellman-Union Independent School District
P.O. Box 69
Wellman, TX 79378

Members of the Board of Trustees:

**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 Wellman-Union Independent School District, as of and for the year ended August 31, 2026, 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 Wellman-Union Independent School District as of August 31, 2026, 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 Wellman-Union Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.



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**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.

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, budgetary comparison information, and pension and OPEB schedules, identified as required supplementary information, 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 Wellman-Union Independent School District's basic financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information 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 Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

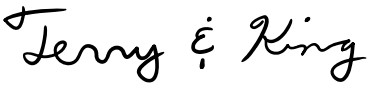
**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the Schools FIRST Questionnaire 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 October 30, 2026, on our consideration of the Wellman-Union Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Wellman-Union Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wellman-Union Independent School District's internal control over financial reporting and compliance.



Terry & King, CPAs, P.C.
Lubbock, Texas
October 30, 2026

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of management's discussion and analysis (MD&A) is to help District constituents and other readers understand what the financial statements and notes in this financial report say about the District's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the District's finances.

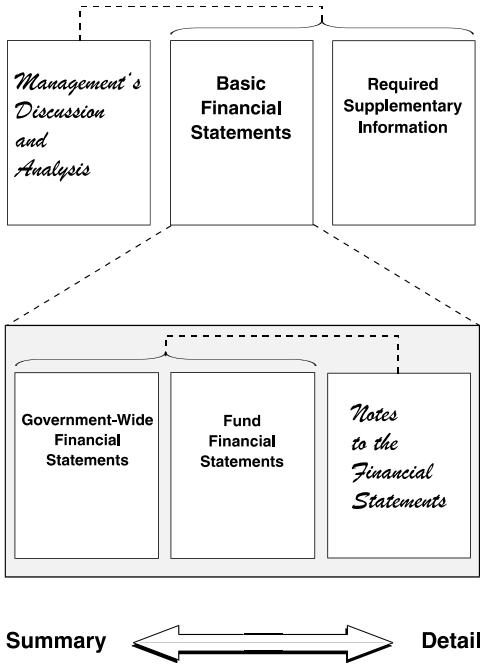
If you have questions about this report or require further information, contact the Finance Department at (806) 667-3585.

### *Overview of the Financial Statements*

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

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

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




The next section of this financial report contains *notes to financial statements*, which delve deeper into the District's finances as reported in the financial statements. The information in the notes is as important to understanding the District's finances as the information in the financial statements. The District uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies). Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

### *Types of Information in the Financial Statements*

All of the District's financial statements, except for the governmental fund financial statements, use the *economic resources measurement focus and accrual basis of accounting.* (See Figure A-2) In other words, they comprehensively report all types of financial statement elements:

- *Assets* – resources the District controls, from short-term assets like cash to long-term assets like buildings and equipment.
- *Liabilities* – amounts the District owes, from short-term liabilities such as salaries payable to long-term liabilities such as outstanding debt and outstanding liabilities for pensions.
- *Deferred outflows of resources and deferred inflows of resources* – flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.

*Revenues and expenses* – inflows and outflows of economic resources, respectively, related to the current year. *basis of accounting* to report on the sources, uses, and balances of current financial resources.

Governmental fund financial statements use the *current financial resources measurement focus and modified accrual.* The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on the construction of a District building.

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

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

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

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, summary of significant accounting policies, beginning on page 20.

***Analysis of the City's Finances***

Table A-1
Wellman-Union Independent School District's Net Position

| | Governmental Activities | | |
|---|---|---|---|
| | 2026 | 2025 | Percentage Change |
| Current and other assets | $ 4,782,890 | $ 5,755,519 | -17% |
| Capital assets, net | 18,080,600 | 17,651,660 | 2% |
| **Total Assets** | **22,863,490** | **23,407,179** | **-2%** |
| **Deferred outflows of resources** | **2,510,226** | **2,691,348** | **-7%** |
| Long-term liabilities | 19,244,448 | 20,015,241 | -4% |
| Other liabilities | 229,636 | 633,246 | -64% |
| **Total Liabilities** | **19,474,084** | **20,648,487** | **-6%** |
| **Deferred inflows of resources** | **979,310** | **946,884** | **3%** |
| Net Position: | | | |
| Net investment in capital assets | 2,493,065 | 1,524,110 | 64% |
| Restricted - Debt Service | 303,100 | 230,479 | 32% |
| Unrestricted | 2,124,157 | 2,748,567 | -23% |
| **Total net position** | **$ 4,920,322** | **$ 4,503,156** | **9%** |

Table A-1 shows that as of August 31, 2026, the District's total net position--assets and deferred outflows minus liabilities and deferred inflows--was $4.9 million, an increase of $417,166 or 9% compared with 2025. The increase in net position was the result of the financial performance of the governmental activities. The following section of MD&A analyzes the finances of the governmental activities.

**Governmental Activities**

Table A-2 shows that revenues exceeded expenses in the current year, resulting in an increase in net position. The total net position of the District's governmental activities was $4.9 million, an increase of $417,166 or 9% from 2025. Various events contributed to this increase in net position; however, the primary factors affecting the change in net position are as follows:

The current year increase in net position was $417,166 compared to the prior year decrease of $546,513. Revenues increased $1,176,299 and expenses increased $212,620. These increases were due to increased State revenue of approximately $725,000 that was partly used to fund salary increases. Total payroll expenditures increased $241,369 or 7% from 2025 to 2026. Cost efficiencies in various areas resulted in expesenses only increasing $212,620

The District recognized insurance proceeds of $751,375 in FY 2026. The District expended $976,381 for school roofing projects.

The M&O property tax rate decreased from $0.7636 to $0.7103 per $100. A decrease in property values along with the decrease in tax rate resulted in the current M&O tax collections decreasing from $1,116,036 in FY 2025 to $885,535 in FY 2026.

The I&S property tax rate increased from $0.7073 to $0.8199 per $100. A decrease in property values along with the increase in tax rate resulted in the current I&S tax collections decreasing from $1,032,437 in FY 2025 to $1,020,485 in FY 2026.

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

| | Governmental Activities | | |
|---|---|---|---|
| | 2026 | 2025 | Percentage Change |
| Program Revenues: | | | |
| Charges for Services | 174,421 | 197,146 | -12% |
| Grants and Contributions | 720,340 | 636,397 | 13% |
| General Revenues: | | | |
| Property Taxes, Levied for General Purposes | 948,570 | 1,133,684 | -16% |
| Property Taxes, Levied for Debt Service | 1,038,242 | 1,048,303 | -1% |
| Grants and Contributions not restricted | 2,827,118 | 2,168,264 | 30% |
| Investment Earnings | 176,433 | 218,688 | -19% |
| Other | 779,089 | 85,432 | 812% |
| Total Revenues | 6,664,213 | 5,487,914 | 21% |
| | | | |
| Instruction and Related Services | 2,838,661 | 2,676,489 | 6% |
| Instructional and School Leadership | 260,791 | 319,125 | -18% |
| Student Support Services | 993,259 | 990,507 | 0% |
| General Administration | 389,378 | 425,213 | -8% |
| District Support Services | 1,153,942 | 994,101 | 16% |
| Debt Service | 491,913 | 499,792 | -2% |
| Intergovernmental Charges | 119,103 | 129,200 | -8% |
| Total Expenses | 6,247,047 | 6,034,427 | 4% |
| | | | |
| Change in Net Position | 417,166 | (546,513) | -176% |
| | | | |
| Net Position - Beginning | 4,503,156 | 5,049,669 | -11% |
| | | | |
| Net Position - Ending | 4,920,322 | 4,503,156 | 9% |

**Figure A-3: Governmental Activities Revenues by Source**

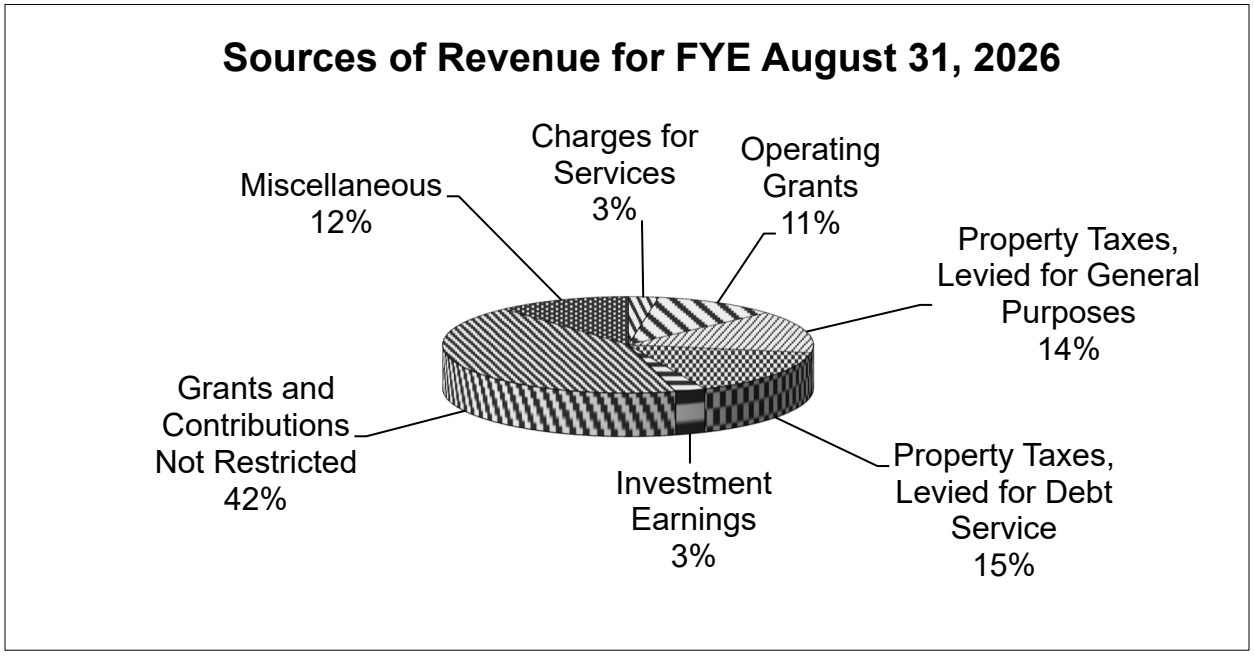



**Figure A-4: Governmental Activities Expenses by Function**

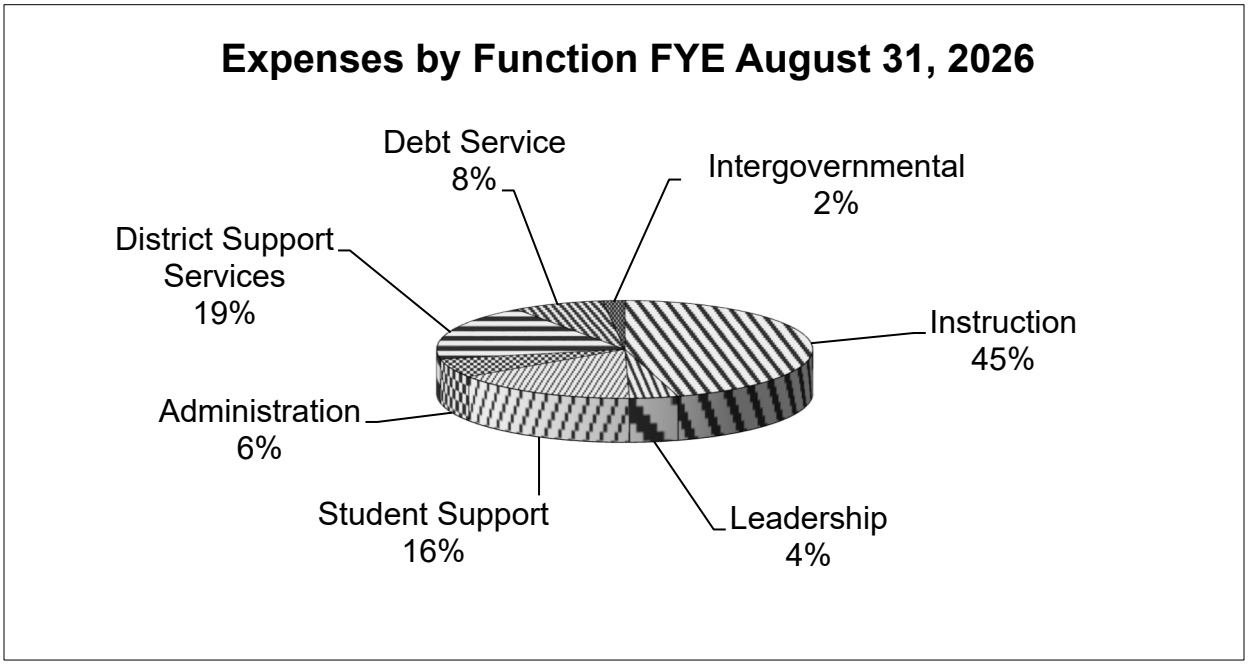


Table A-3
Revenues, Expenditures, and Changes in Fund Balance (Major Funds)

| | General Fund | | |
|---|---|---|---|
| | 2026 | 2025 | Percentage Change |
| Local and Intermediate Sources | 1,939,005 | 1,470,115 | 32% |
| State Program Revenues | 3,043,436 | 2,383,346 | 28% |
| Federal Program Revenues | - | - | - |
| Total Revenues | 4,982,441 | 3,853,461 | 29% |
| Instruction and Related Services | 2,378,130 | 2,226,818 | 7% |
| Instructional and School Leadership | 263,752 | 318,083 | -17% |
| Student Support Services | 579,039 | 557,428 | 4% |
| Administrative Support Services | 330,064 | 377,054 | -12% |
| District Support Services | 891,164 | 875,504 | 2% |
| Debt Service | 9,660 | 9,660 | 0% |
| Capital Outlay | 976,381 | - | 100% |
| Intergovernmental Charges | 119,103 | 129,200 | -8% |
| Total Expenditures | 5,547,293 | 4,493,747 | 23% |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (564,852) | (640,286) | -12% |
| Other Financing Sources and Uses: Operating Transfers Out | (91,976) | (94,859) | -3% |
| Net Change in Fund Balances | (656,828) | (735,145) | -11% |
| Fund Balance - Beginning | 4,830,035 | 5,565,180 | -13% |
| Fund Balance - Ending | 4,173,207 | 4,830,035 | -14% |

Fund balance represents the financial standing of a governmental fund as of the end of the fiscal year from a short-term perspective.

**General Fund**

The fund balance of the District's general fund decreased by 14%. Revenues increased $1,128,980 and expenditures increased $1,053,546.

State Foundation Revenue increased approximately $725,000. This increase in funding was partly passed through to employees as salary increases. Total payroll expenditures increased $241,369 or 7% from 2025 to 2026.

The District recognized insurance proceeds of $751,375 in the current fiscal year. $976,381 was spent on District roofing projects.

### *Significant capital asset and long-term financing activity*

The discussion thus far has only touched upon certain significant transactions and events during 2026 with respect to capital assets and long-term debt. Overall, the carrying value of capital assets – original cost minus accumulated depreciation – increased 2% from 2025.

The District added $1,063,267 in capital assets during 2026. These additions were made up of:

- Roofing Projects - $976,381
- Building Security Improvements - $44,948
- Equipment - $59,421

The District paid down bond balances by $176,878. The District has $15.65 million in general obligation bonds at August 31, 2026.

### *Currently known facts, decisions, or conditions*

Budget:

Wellman-Union Consolidated Independent School District continues to prioritize responsible financial management while maintaining a strong commitment to student achievement and educational opportunities. Like many small, rural Texas school districts, Wellman-Union CISD faces ongoing financial challenges associated with fluctuations in student enrollment, average daily attendance (ADA), property values, and state funding formulas.

The District revised the budget to reflect increases in revenues for tax revenues and state funding. The budgeted expenditures were increased for the addition of a football field turf project.

The District closely monitors enrollment and attendance, recognizing their direct impact on state funding. Additionally, changes in local property values and state funding calculations continue to influence the District's available financial resources. District leadership regularly evaluates revenue projections, expenditures, staffing needs, and long-term financial obligations to ensure that available resources are used efficiently and effectively.

In response to increasing operational costs and changes in available funding, the District has implemented a conservative budgeting approach that emphasizes fiscal responsibility and strategic resource allocation. Personnel expenditures, which represent the largest portion of the District's operating budget, are carefully evaluated. The District has utilized natural attrition, reassignment of existing personnel, and operational efficiencies to reduce expenditures while minimizing the impact on student services.

The District has also worked to maximize available federal, state, and local funding sources to support educational programs and offset operational costs. As financial resources become increasingly limited, expenditures are evaluated based on necessity, sustainability, and their direct impact on student outcomes.

Highlights of the District:

**Academic Achievement and Student Opportunities**
Despite financial challenges, Wellman-Union CISD continues to demonstrate strong academic performance. The District earned an **A accountability rating and five distinctions** from the Texas Education Agency, reflecting its continued emphasis on high-quality instruction, student achievement, and academic growth.

The District maintains a strong focus on foundational academic skills, particularly reading and mathematics, while continuing to expand opportunities in career and technical education (CTE), dual credit, and extracurricular programs.

The District's CTE programs have experienced significant growth, including increased opportunities for students to earn industry-based certifications. Welding certifications, including American Welding Society (AWS) credentials, have expanded substantially, providing students with valuable workforce preparation and postsecondary opportunities.

Additionally, the District continues to invest in dual-credit opportunities, covering 100% of the costs for qualifying students pursuing an associate degree while completing their high school education. This investment reflects the District's commitment to removing financial barriers and providing students with meaningful opportunities to earn college credentials before graduation, preparing them for success in college, careers, and life beyond high school.

The District has also expanded athletic opportunities through the addition of baseball, softball, and team tennis, providing students with increased opportunities for participation and personal development.

**Staffing and Operational Efficiencies**
Wellman-Union CISD recognizes that recruiting and retaining experienced, high-quality personnel is essential to maintaining academic success. The District has focused on operating with an efficient staffing structure while preserving instructional quality and essential student services.

The District's average teacher experience has increased, reflecting a commitment to maintaining an experienced instructional workforce. At the same time, staffing levels have been carefully managed to align with enrollment, instructional needs, and available financial resources.

The District operates on a four-day instructional week, which remains an important component of its overall operational strategy and employee recruitment and retention efforts. The District continues to evaluate this calendar in conjunction with student performance, staffing, and operational efficiency.

These efforts demonstrate the District's commitment to maximizing the effectiveness of available personnel and financial resources without compromising its primary mission of educating students.

**Grants and Supplemental Funding**
The District continues to actively pursue grants, partnerships, and supplemental funding opportunities to enhance educational programs while reducing reliance on local operating funds.

Recent grant awards in the 26-27 FY from Workforce Solutions South Plains and the Lubbock Economic Development Alliance have supported the acquisition of specialized equipment for career and technical education programs. These investments have expanded instructional capabilities in welding, woodworking, and advanced manufacturing without placing the full financial burden on the District's operating budget. The District continues to identify additional funding opportunities and partnerships that support student achievement, workforce readiness, and long-term program sustainability.

**Financial Outlook and Long-Term Planning**
Looking ahead, Wellman-Union CISD anticipates continued financial pressures related to state funding, student attendance, personnel costs, inflation, and the increasing expense of maintaining facilities and educational programs.

The District continues to closely monitor the impact of property valuations on state funding calculations. Wellman-Union CISD has engaged MVBA to review and protest property values used in determining the District's state funding entitlements. As part of these efforts, the District's 2022 Tier 2 property value review resulted in a reduction of the Comptroller's estimated taxable value to the locally certified value. While the final financial impact of this adjustment has not yet been determined, the District anticipates that accurate property valuations may positively affect state funding calculations. Additionally, the District is pursuing a protest related to the 2025 Property Value Study/School District Ratio (PVS/SR). These efforts reflect the District's commitment to protecting its financial interests, ensuring accurate funding calculations, and maximizing available resources for student education.

The District has also evaluated local revenue options, including a Voter-Approval Tax Rate Election (VATRE), as part of its efforts to address funding challenges and maintain essential educational services. The District recognizes the importance of balancing the financial needs of the school system with its responsibility to local taxpayers.

District leadership will continue to closely monitor enrollment, ADA, property valuations, state funding, legislative developments, staffing requirements, and facility needs when developing future budgets and financial plans.

Throughout these challenges, Wellman-Union CISD remains committed to its core priorities: **academic excellence, responsible stewardship of taxpayer resources, and providing meaningful educational opportunities for every student.** The District will continue to make strategic decisions that prioritize student outcomes while maintaining the financial stability necessary to serve its community for years to come.

BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

STATEMENT OF NET POSITION
August 31, 2026

| Data Control Codes | | 1<br>Governmental Activities |
|---|---|---|
| | ASSETS: | |
| 1110 | Cash and Cash Equivalents | $ 4,292,721 |
| 1225 | Taxes Receivable, Net | 53,269 |
| 1240 | Due from Other Governments | 436,900 |
| | Capital Assets: | |
| 1510 | Land | 112,894 |
| 1520 | Buildings & Improvements, net | 17,376,701 |
| 1525 | Furniture & Equipment, net | 583,973 |
| 1550 | Right to Use Assets, net | 7,032 |
| 1000 | Total Assets | $ 22,863,490 |
| | DEFERRED OUTFLOWS OF RESOURCES | |
| 1705 | Deferred Charge on Bond Defeasance | $ 1,674,861 |
| 1710 | Deferred Outflows - Pension | 446,636 |
| 1711 | Deferred Outflows - OPEB | 388,729 |
| | Total Deferred Outflows of Resources | $ 2,510,226 |
| | LIABILITIES: | |
| | Current Liabilities: | |
| 2110 | Accounts Payable | $ 16,646 |
| 2160 | Accrued Wages Payable | 207,447 |
| 2200 | Accrued Expenses | 5,543 |
| 2300 | Unearned Revenue | - |
| | Noncurrent Liabilities | |
| 2501 | Due within one year | 189,717 |
| 2502 | Due in more than one year | 15,847,181 |
| 2516 | Premium on bond issuance | 1,405,010 |
| 2540 | Net Pension Liability | 1,173,684 |
| 2545 | Net OPEB Liability | 628,856 |
| 2000 | Total Liabilities | 19,474,084 |
| | DEFERRED INFLOWS OF RESOURCES | |
| 2605 | Deferred Inflows - Pension | 143,362 |
| 2606 | Deferred Inflows - OPEB | 835,948 |
| | Total Deferred Inflows of Resources | 979,310 |
| | NET POSITION: | |
| 3200 | Net investment in capital assets | 2,493,065 |
| | Restricted: | |
| 3850 | Debt Service | 303,100 |
| 3900 | Unrestricted | 2,124,157 |
| 3000 | TOTAL NET POSITION | $ 4,920,322 |

The accompanying notes are an integral part of this statement.

EXHIBIT B-1

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2026

| Data Control Codes | Functions/Programs | 1 Expenses | 3 Program Revenues: Charges for Services | 4 Program Revenues: Operating Grants and Contributions | 5 Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|---|---|
| | Government Activities: | | | | | |
| 11 | Instruction and Instruction-Related Services | $ 2,799,494 | $ 17,995 | $ 252,793 | $ - | $ (2,528,706) |
| 12 | Instructional Resources and Media Services | 15,736 | - | 393 | - | (15,343) |
| 13 | Curriculum Development and Instructional Staff Development | 23,431 | - | 12,080 | - | (11,351) |
| 21 | Instructional Leadership | 52,741 | - | 10,026 | - | (42,715) |
| 23 | School Leadership | 208,050 | - | 5,548 | - | (202,502) |
| 31 | Guidance, Counseling, & Evaluation Services | 40,486 | - | 1,129 | - | (39,357) |
| 33 | Health Services | 56,695 | - | 1,790 | - | (54,905) |
| 34 | Student (Pupil) Transportation | 189,614 | - | 2,789 | - | (186,825) |
| 35 | Food Services | 272,972 | 43,154 | 97,975 | - | (131,843) |
| 36 | Extracurricular Activities | 433,492 | 93,132 | 2,618 | - | (337,742) |
| 41 | General Administration | 389,378 | - | 4,889 | - | (384,489) |
| 51 | Plant Maintenance and Operations | 794,833 | 20,140 | 5,770 | - | (768,923) |
| 52 | Security and Monitoring Services | 232,778 | - | 263,689 | - | 30,911 |
| 53 | Data Processing | 126,331 | - | 2,205 | - | (124,126) |
| 72 | Interest on Long-Term Debt | 415,358 | - | 56,646 | - | (358,712) |
| 73 | Other Debt Service Fees | 76,555 | - | - | - | (76,555) |
| 93 | Payments to Shared Service Arrangements | 88,642 | - | - | - | (88,642) |
| 99 | Other Intergovernmental Charges | 30,461 | - | - | - | (30,461) |
| TG | Total Government Activities | 6,247,047 | 174,421 | 720,340 | - | (5,352,286) |
| TP | Total Primary Government | 6,247,047 | 174,421 | 720,340 | - | (5,352,286) |
| | General Revenues: | | | | | |
| MT | Property Taxes, Levied for General Purposes | | | | | 948,570 |
| DT | Property Taxes, Levied for Debt Service | | | | | 1,038,242 |
| IE | Investment Earnings | | | | | 176,433 |
| GC | Grants and Contributions Not Restricted to Specific Programs | | | | | 2,827,118 |
| MI | Miscellaneous | | | | | 779,089 |
| TR | Total General Revenue | | | | | 5,769,452 |
| CN | Change in Net Position | | | | | 417,166 |
| NB | Net Position -- Beginning | | | | | 4,503,156 |
| NE | Net Position -- Ending | | | | | $ 4,920,322 |

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2026

| Data Control Codes | | 10 General Fund | 50 Debt Service Fund | Other Governmental Funds | 98 Total Governmental Funds |
|---|---|---|---|---|---|
| | ASSETS: | | | | |
| 1110 | Cash and Cash Equivalents | $ 3,977,340 | $ 262,674 | $ 52,707 | $ 4,292,721 |
| 1225 | Taxes Receivable, Net | 26,464 | 26,805 | - | 53,269 |
| 1240 | Due from Other Governments | 328,355 | 13,621 | 94,924 | 436,900 |
| 1260 | Due from Other Funds | 72,733 | - | - | 72,733 |
| 1000 | TOTAL ASSETS | $ 4,404,892 | $ 303,100 | $ 147,631 | $ 4,855,623 |
| | LIABILITIES: | | | | |
| | Current Liabilities: | | | | |
| 2110 | Accounts Payable | $ 16,646 | $ - | $ - | $ 16,646 |
| 2160 | Accrued Wages Payable | 184,749 | - | 22,698 | 207,447 |
| 2170 | Due to Other Funds | - | - | 72,733 | 72,733 |
| 2200 | Accrued Expenditures | 3,826 | - | 1,717 | 5,543 |
| 2300 | Unearned Revenue | - | - | - | - |
| 2000 | Total Liabilities | 205,221 | - | 97,148 | 302,369 |
| | DEFERRED INFLOWS OF RESOURCES: | | | | |
| 2601 | Unavailable Revenue - Property Taxes | 26,464 | 26,805 | - | 53,269 |
| | Total Deferred Inflows of Resources | 26,464 | 26,805 | - | 53,269 |
| | FUND BALANCES: | | | | |
| | Restricted Fund Balances: | | | | |
| 3480 | Debt Service | - | 276,295 | - | 276,295 |
| | Assigned Fund Balances: | | | | |
| 3550 | Construction | 700,000 | - | - | 700,000 |
| 3570 | Capital Expenditures for Equipment | 100,000 | - | - | 100,000 |
| 3580 | Self Insurance | 20,000 | - | - | 20,000 |
| 3590 | Other Assigned Fund Balances | 100,000 | - | 50,483 | 150,483 |
| 3600 | Unassigned | 3,253,207 | - | - | 3,253,207 |
| 3000 | Total Fund Balance | 4,173,207 | 276,295 | 50,483 | 4,499,985 |
| 4000 | TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | $ 4,404,892 | $ 303,100 | $ 147,631 | $ 4,855,623 |

The accompanying notes are an integral part of this statement.

EXHIBIT C-1R

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
August 31, 2026

| | | |
|---|---|---|
| Total Fund Balances -- Governmental Funds Balance Sheet | | $ 4,499,985 |
| Amounts reported for governmental activities in the statement of net position (A-1) are different because: | | |
| 1 | Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 18,080,600 |
| 2 | Other long-term assets are not available to pay for current-period expenditures and therefore are unearned in the funds. | 53,269 |
| 3 | Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | (16,036,898) |
| 4 | The amount of premium/discount on bonds is required to be recognized in the statement of net position. | (1,405,010) |
| 5 | The net charge related to the defeasance of bonds is reported as a deferred outflow of resources on the statement of net position. | 1,674,861 |
| 6 | Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of $446,636, a deferred resource inflow in the amount of $143,362, and a net pension liability in the amount of $1,173,684. This resulted in a decrease in net position. | (870,410) |
| 7 | Included in the items related to debt is the recognition of the District's proportionate share of the OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of $388,729, a deferred resource inflow in the amount of $835,948, and a net OPEB liability in the amount o $628,856. This resulted in a decrease in net position | (1,076,075) |
| Net Position of Governmental Activities -- Statement of Net Position | | $ 4,920,322 |

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
GOVERNMENTAL FUNDS
For the Year Ended August 31, 2026

| Data Control Codes | | 10 General Fund | 50 Debt Service Fund | Other Governmental Funds | 98 Total Governmental Funds |
|---|---|---|---|---|---|
| | REVENUES: | | | | |
| 5700 | Local and Intermediate Sources | $ 1,939,005 | $ 1,029,396 | $ 134,863 | $ 3,103,264 |
| 5800 | State Program Revenues | 3,043,436 | 56,646 | 317,215 | 3,417,297 |
| 5900 | Federal Program Revenues | - | - | 266,538 | 266,538 |
| 5020 | Total Revenues | 4,982,441 | 1,086,042 | 718,616 | 6,787,099 |
| | EXPENDITURES: | | | | |
| | Current: | | | | |
| 0011 | Instruction and Instruction-Related Services | 2,350,458 | - | 213,533 | 2,563,991 |
| 0012 | Instructional Resources and Media Services | 16,321 | - | - | 16,321 |
| 0013 | Curriculum Development and Instructional Staff Development | 11,351 | - | 12,080 | 23,431 |
| 0021 | Instructional Leadership | 45,610 | - | 8,942 | 54,552 |
| 0023 | School Leadership | 218,142 | - | - | 218,142 |
| 0031 | Guidance, Counseling, & Evaluation Services | 42,408 | - | - | 42,408 |
| 0033 | Health Services | 59,363 | - | - | 59,363 |
| 0034 | Student (Pupil) Transportation | 171,520 | - | - | 171,520 |
| 0035 | Food Services | - | - | 238,675 | 238,675 |
| 0036 | Cocurricular/Extracurricular Activities | 305,748 | - | 65,239 | 370,987 |
| 0041 | General Administration | 330,064 | - | - | 330,064 |
| 0051 | Plant Maintenance and Operations | 715,784 | - | - | 715,784 |
| 0052 | Security and Monitoring Services | 46,125 | - | 261,579 | 307,704 |
| 0053 | Data Processing Services | 129,255 | - | - | 129,255 |
| 0071 | Principal on Long-Term Debt | 8,542 | 176,878 | - | 185,420 |
| 0072 | Interest on Long-Term Debt | 1,118 | 844,964 | - | 846,082 |
| 0073 | Bond Issuance Costs and Fees | - | 425 | - | 425 |
| 0081 | Capital Outlay | 976,381 | | | 976,381 |
| 0093 | Payments to Shared Service Arrangements | 88,642 | - | - | 88,642 |
| 0099 | Other Intergovernmental Charges | 30,461 | - | - | 30,461 |
| 6030 | Total Expenditures | 5,547,293 | 1,022,267 | 800,048 | 7,369,608 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | (564,852) | 63,775 | (81,432) | (582,509) |
| | Other Financing Sources and (Uses): | | | | |
| 7915 | Operating Transfers In | - | - | 91,976 | 91,976 |
| 8911 | Operating Transfers Out | (91,976) | - | - | (91,976) |
| | Total Other Financing Sources and (Uses) | (91,976) | - | 91,976 | - |
| 1200 | Net Change in Fund Balances | (656,828) | 63,775 | 10,544 | (582,509) |
| 0100 | Fund Balances -- Beginning | 4,830,035 | 212,520 | 39,939 | 5,082,494 |
| 3000 | Fund Balances -- Ending | $ 4,173,207 | $ 276,295 | $ 50,483 | $ 4,499,985 |

The accompanying notes are an integral part of this statement.

EXHIBIT C-3

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2026

| | | |
|---|---|---|
| Net Change in Fund Balances -- Total Governmental Funds | $ | (582,509) |
| Amounts reported for governmental activities in the statement of activities ("SOA") are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period. | | 1,063,267 |
| The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets. | | (634,327) |
| Certain property tax revenues are unearned in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts changed during the current period. | | 13,491 |
| Compensated absences are not recognized in the fund statements as a liability. The changes to this estimated liability are recorded in the government-wide statements as a payroll expense. | | (30,529) |
| The accretion of interest on capital appreciation bonds is not reported in the funds. This is the amount of increase in accrued interest expense for the year. | | 11,445 |
| For the statement of net position, the amortization of bond premiums is recognized over the life of the bonds. This is the amount of the current amortization. | | 419,279 |
| Repayment of debt principal is an expenditure in the governmental funds, but is a reduction of long-term debt in the statement of net position. This amount is the total debt principal repaid for capital leases, loans & bonded indebtedness. | | 185,421 |
| The net charge related to the defeasance of bonds is reported as a deferred outflow of resources on the statement of net position, and amortized over the life of the bonds. This is the amount of change in deferred charge on bond defeasance. | | (76,130) |
| GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $130,084. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling $109,053. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by $48,788. The net result is a decrease in the change in net position. | | (27,757) |
| GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $26,420. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling $23,296. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by $72,391. The result is an increase in the change in net position. | | 75,515 |
| Change in Net Position of Governmental Activities -- Statement of Activities | $ | 417,166 |

The accompanying notes are an integral part of this statement.

EXHIBIT E-1

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
August 31, 2026

| | Custodial Funds |
|---|---|
| | Student Activity |
| ASSETS: | |
| Cash and Cash Equivalents | $ 15,788 |
| TOTAL ASSETS | $ 15,788 |
| NET POSITION: | |
| Restricted for: | |
| Students | $ 15,788 |
| TOTAL NET POSITION | $ 15,788 |

The accompanying notes are an integral part of this statement.

EXHIBIT E-2

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended August 31, 2026

| | Custodial Funds |
|---|---|
| | Student Activity |
| ADDITIONS: | |
| Fundraising Activity | $ 68,866 |
| Total Additions | 68,866 |
| DEDUCTIONS: | |
| Student Activities | 65,173 |
| Total Deductions | 65,173 |
| Net Increase (Decrease) in Fiduciary Net Position | 3,693 |
| Net Position - Beginning | 12,095 |
| Net Position - Ending | $ 15,788 |

The accompanying notes are an integral part of this statement.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2026

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statue to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 2
Year Ended August 31, 2026

A. Summary of Significant Accounting Policies (Continued)

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This is the District's fund for the collection of revenues from property taxes for the specific purpose of retiring loans and bonded indebtedness.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except for the food service fund, any unused balances are returned to the grantor at the close of specific project periods. The food service fund is the only required budgeted special revenue fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

A. Summary of Significant Accounting Policies (Continued)

Custodial Fund: A fiduciary fund type, accounts for resources held for others in a custodial capacity. The District's Custodial Fund is the student activity funds.

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

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, the revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

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

A. Summary of Significant Accounting Policies (Continued)

Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of bonds and are restricted by State Statute. Capital projects are restricted by State Statute and are legally segregated for funding of capital improvements.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Assigned: This classification represents amounts the District intends to use for a specific purpose, but does not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. Specific amounts that are not restricted or committed in a special revenue fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Fund balance can be assigned by the Superintendent or their designee.

Unassigned: This classification includes the residual fund balance for the General Fund.

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

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 5
Year Ended August 31, 2026

A. Summary of Significant Accounting Policies (Continued)

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

3. Financial Statement Amounts

a. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and State Treasurer's Investment Pool.

Investments for the District are reported at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. The State Treasurer's Investment Pools are operated in accordance with appropriate state laws and regulations. The reported values of the pools are the same as the fair value of the pool shares (Level 1 inputs).

b. Property Taxes

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

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of August 31, 2026, the amount deemed uncollectible by this estimate was $30,950. 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.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 6
Year Ended August 31, 2026

A. Summary of Significant Accounting Policies (Continued)

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. Certain payments to vendors reflect the cost applicable to future periods and are recorded as prepaid items.

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. There are no significant receivables which are not scheduled for collection within one year of the period end.

e. Pensions

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

f. Other Post-Employment Benefits

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

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 7
Year Ended August 31, 2026

A. Summary of Significant Accounting Policies (Continued)

g. 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Items reported as deferred outflows of resources are as follows:

| | |
|---|---|
| Deferred charge on bond defeasance | $ 1,674,861 |
| Deferred charges related to TRS retirement | $ 446,636 |
| Deferred charges related to TRS OPEB | $ 388,729 |

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has one type of item which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. Items reported as deferred inflows of resources are as follows:

| | |
|---|---|
| Deferred property tax revenues | $ 53,269 |
| Deferred charges related to TRS retirement | $ 143,362 |
| Deferred charges related to TRS OPEB | $ 835,948 |

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 8
Year Ended August 31, 2026

A. Summary of Significant Accounting Policies (Continued)

h. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

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

| Asset Class | Estimated Useful Lives |
|---|---|
| Infrastructure | 30 |
| Buildings | 50 |
| Building Improvements | 20 |
| Vehicles | 5-15 |
| Office Equipment and Furniture | 3-15 |
| Computer Equipment | 3 |

i. Compensated Absences

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 101 (Compensated Absences). According to the standard, liabilities for compensated absences should be recognized in financial statements prepared using the economic resources measurement focus for (a) leave that has not been used and (b) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 9
Year Ended August 31, 2026

A. Summary of Significant Accounting Policies (Continued)

j. Interfund Activity

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

k. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount.

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

l. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management’s estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 10
Year Ended August 31, 2026

A. Summary of Significant Accounting Policies (Continued)

m. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The Texas Education Agency requires the display of 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.

B. Stewardship, Compliance and Accountability

1. Budgetary Information

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

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

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

B. Stewardship, Compliance and Accountability

1. Fair Value Measurements

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

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

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

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

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

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

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

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

C. Deposits and Investments

Under Texas state law, the District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect the 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.

C. Deposits and Investments (Continued)

Cash Deposits

At August 31, 2026, the carrying amount of the District's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was $4,308,509 and the bank balance was $4,408,992. The District's cash deposits at August 31, 2026 and during the period then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

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

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

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 101% of the investment's market value.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 13
Year Ended August 31, 2026

C. Deposits and Investments (Continued)

As of August 31, 2026, the following are the District's cash equivalents and investments with respective maturities and credit rating:

| Type of Investment | Book Value | Fair Value Measurement Using Significant Other Observable Inputs (Level2) | Maturity in Less Than 1 Year | Maturity In 1-2 Years | Credit Rating |
|---|---|---|---|---|---|
| Cash | $ 1,170,572 | $ - | $ 1,170,572 | $ - | N/A |
| *Investments not Subject to Fair Value:* | | | | | |
| FDIC insured certificates of deposit | - | - | - | - | N/A |
| *Investments Measured at Fair Value* | | | | | |
| Investment pools: | | | | | |
| Texas Local Government Investment Pool | 3,137,937 | - | 3,137,937 | - | AAAm |
| Total cash and cash equivalents | 4,308,509 | - | 4,308,509 | - | |

In accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for Investment Pools*, the District's investments with a maturity date of greater than one year have been recorded at fair value based upon quoted market prices as of August 31, 2026 with increases or decreases in fair value being recorded as a component of earnings on investments.

Investment Pools are measured at amortized cost or fair value and are not subject to level reporting.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of now lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

C. Deposits and Investments (Continued)

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

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

Analysis of Specific Deposit and Investment Risks

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

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

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

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

c. Concentration of Credit Risk
This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk
This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

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

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 15
Year Ended August 31, 2026

C. Deposits and Investments (Continued)

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

D. Capital Assets

Capital asset activity for the year ended August 31, 2026 was as follows:

| Government Activities | Balance 09/01/25 | Additions | Deletions/ Reclass | Balance 08/31/26 |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land | $ 112,894 | $ - | $ - | $ 112,894 |
| Construction in Progress | - | - | - | - |
| Total capital assets not being Depreciated | 112,894 | - | - | 112,894 |
| Other capital assets | | | | |
| Buildings & Improvements | 21,498,710 | 1,003,847 | - | 22,502,557 |
| Vehicles | 1,300,689 | - | - | 1,300,689 |
| Furniture & Equipment | 575,118 | 59,421 | - | 634,539 |
| Leased Vehicles & Equipment | 25,315 | - | - | 25,315 |
| Total Other Capital Assets | 23,399,832 | 1,063,268 | - | 24,463,100 |
| Less Accumulated Depreciation & Amortization: | | | | |
| Buildings & Improvements | 4,649,745 | 476,111 | - | 5,125,856 |
| Vehicles | 845,628 | 89,140 | - | 934,768 |
| Furniture & Equipment | 355,849 | 60,637 | - | 416,486 |
| Leased Vehicles & Equipment | 9,845 | 8,438 | - | 18,283 |
| Total Accum. Depreciation | 5,861,067 | 634,326 | | 6,495,393 |
| Other Capital Assets, net | 17,538,765 | 428,942 | - | 17,967,707 |
| Capital Assets, net | $ 17,651,659 | $ 428,942 | $ - | $ 18,080,601 |

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 16
Year Ended August 31, 2026

D. Capital Assets (continued)

Depreciation was charges to functions as follows:

| | |
|---|---|
| 11-Instructions | $ 340,382 |
| 34-Student (Pupil) Transportation | 22,151 |
| 35-Food Service | 40,404 |
| 36-Cocurricular/Extracurricular Activities | 67,409 |
| 41-General Administration | 68,564 |
| 51-Plant Maintenance & Operations | 95,416 |
| | $ 634,326 |

E. Interfund Balances and Transfers

Interfund balances at August 31, 2026 consisted of the following individual fund balances:

| Fund | Due from Other Funds | Due to Other Funds |
|---|---|---|
| General Fund: | | |
| Special Revenue Funds | $ 72,733 | - |
| Total General Fund | $ 72,733 | $ - |
| Special Revenue Funds: | | |
| General Fund | - | 72,733 |
| Total | $ 72,733 | $ 72,733 |

These interfund receivables and payables were recorded to eliminate cash flow deficits of special revenue funds. All amounts due are scheduled to be repaid within one year.

The General Fund transferred $91,976 to fund the deficit in the food service program.

F. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 17
Year Ended August 31, 2026

## G. Long-Term Obligations

Long-term obligations include debt and other long-term liabilities. During each year while bonds are outstanding, the District is required to levy and collect sufficient ad valorem taxes to provide for the payment of principal and interest as it becomes due. The District complied with all significant limitations and restrictions contained in the bond indentures.

1. Changes in long-term obligations for the year ended August 31, 2026, are as follows:

| Governmental Activities: | Beginning Balance | Increases | Decrease | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| General obligation bonds | $ 15,830,553 | $ - | $ 176,878 | $ 15,653,675 | $ 142,410 |
| Accum Accretion on CAB's | 207,429 | 44,025 | 55,470 | 195,984 | - |
| Premium on Bonds | 1,824,289 | - | 419,279 | 1,405,010 | - |
| Leases | 16,270 | - | 8,542 | 7,728 | 7,728 |
| Compensated Absences* | 148,983 | 30,529 | - | 179,512 | 39,580 |
| Net Pension Liability | 1,225,576 | - | 51,892 | 1,173,684 | - |
| Net OPEB Liability | 762,140 | - | 133,284 | 628,856 | - |
| Total governmental activities | $ 20,015,240 | $ 74,554 | $ 845,345 | $ 19,244,449 | $ 189,718 |

*The change in balances of compensated absences is reported as a net increase or decrease.

| General Obligation Bonds – Descriptions | Interest Rate | Maturity | Amount Of Original Issue | Amount Outstanding 8/31/2026 |
|---|---|---|---|---|
| Unlimited Tax Refunding Bonds-Series 2020* | 0.697% to 4.00% | 2-15-2048 | 16,634,985 | 15,653,675 |
| | | | | $ 15,653,675 |

* indicates capital appreciation bonds

| Capital Appreciation Bonds | | |
|---|---|---|
| Series | Original Amount | Accreted 8/31/2026 |
| 2020 | $ 970,748 | $ 544,659 |
| | | $ 544,659 |

2. Debt service requirements on general obligation bonds at August 31, 2026, are as follows:

| Year Ending August 31, | Governmental Activities Principal | Interest | Total |
|---|---|---|---|
| 2027 | 142,410 | 879,432 | 1,021,842 |
| 2028 | 114,662 | 907,180 | 1,021,842 |
| 2029 | 91,603 | 925,239 | 1,016,842 |
| 2030 | 645,000 | 376,842 | 1,021,842 |
| 2031 | 670,000 | 351,042 | 1,021,042 |
| 2032-2036 | 3,550,000 | 1,558,376 | 5,108,376 |
| 2037-2041 | 3,970,000 | 1,132,629 | 5,102,629 |
| 2042-2046 | 4,505,000 | 605,856 | 5,110,856 |
| 2047-2048 | 1,965,000 | 76,102 | 2,041,102 |
| | $ 15,653,675 | $ 6,812,698 | $ 22,466,373 |

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 18
Year Ended August 31, 2026

G. Long-Term Obligations (continued)

3. Leases

The District entered into a non-cancellable lease agreement for 3 Konica Minolta copiers in July 2024. This lease period is for 36 months, beginning July 2024 and ending June 2027, with monthly payments of $805 including principal and interest. The discount rate being used is 9.00%. The lease agreement has no variable payments or residual value guarantees.

The future payments required for right-to-use leased asset liabilities at August 31, 2026 are as follows:

| | Governmental Activities | | |
|---|---|---|---|
| Year Ending August 31, | Principal | Interest | Total |
| 2027 | 7,728 | 322 | 8,050 |
| | $ 7,728 | $ 322 | $ 8,050 |

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 19
Year Ended August 31, 2026

H. Defined Benefit Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman-Union, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 20
Year Ended August 31, 2026

H. Pension Plan (continued)

3. Benefits Provided

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

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

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Employee contribution rates are set in state statute, Texas Government Code 825.402.

**Contribution Rates**

| | 2025 | 2026 |
|---|---|---|
| **Member** | **8.25%** | **8.25%** |
| **Non-Employer Contributing Entity (State)** | **8.25%** | **8.25%** |
| **Employers** | **8.25%** | **8.25%** |

| | |
|---|---|
| **Current Fiscal Year Employer Contributions** | **$ 130,084** |
| **Current Fiscal Year Member Contributions** | **$ 246,421** |
| **2025 Measurement Year NECE On-behalf Contributions** | **$ 162,139** |

H. Pension Plan (continued)

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

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 2.0% of the member's salary beginning 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.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman-Union, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 22
Year Ended August 31, 2026

H. Pension Plan (continued)

5. Actuarial Assumptions
The total pension liability in the August 31, 2025 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Valuation Date | August 31, 2024 rolled forward to August 31, 2025 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Fair Value |
| Single Discount Rate | 7.00% |
| Long-term Expected Rate | 7.00% |
| Municipal Bond Rate as of August 30, 2025 | 5.23%. The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders. |
| Last year ending August 31 in projection period (100 years) | 2124 |
| Inflation | 2.30% |
| Salary Increases | 3.20% to 9.20% including inflation |
| Ad hoc post-employment benefit changes | None |

Effective with the measurement date of August 31, 2025, the salary increase assumption was modified to reflect anticipated changes in future contribution levels resulting from the enactment of House Bill 2 (HB2) by the Texas Legislature. Except for the change in salary increase assumption, the actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2024. For a full description of these assumptions please see the actuarial valuation report dated November 21, 2024.

6. Discount Rate
A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.54 percent of payroll in fiscal year 2026 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.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman-Union, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 23
Year Ended August 31, 2026

H. Pension Plan (continued)

The long-term expected rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2025 are summarized below

| Asset Class | Target Allocation%** | Long-Term Expected Geometric Real Rate of Return*** | Expected Contribution to Long-Term Portfolio Returns |
|---|---|---|---|
| **Global Equity** | | | |
| All Country | 39% | 4.14% | 2.18% |
| USA | 0% | 3.85% | 0.00% |
| Non-U.S. Developed | 5% | 4.60% | 0.31% |
| Emerging Markets | 1% | 4.71% | 0.07% |
| Private Equity | 12% | 6.80% | 1.19% |
| **Stable Value** | | | |
| Government Bonds-Nominal | 10% | 2.59% | 0.33% |
| Government Bonds-Real 16% | 6% | 1.97% | 0.13% |
| Absolute Return* | 0% | 3.91% | 0.00% |
| Stable Value Hedge Funds | 5% | 1.68% | 0.09% |
| **Real Return** | | | |
| Real Estate | 15% | 4.60% | 0.86% |
| Energy, Natural Resources, and Infrastructure | 6% | 4.86% | 0.36% |
| Commodities | 0% | 2.96% | 0.00% |
| **Risk Parity** | | | |
| Risk Parity | 5% | 4.38% | 0.26% |
| **Asset Allocation Leverage** | | | |
| Cash | 2% | 0.51% | 0.01% |
| Asset Allocation Leverage | (6%) | 0.81% | (0.05%) |
| **Total** | 100% | | |
| **Inflation Expectation** | | | **2.30%** |
| **Volatility Drag**** | | | **(0.71%)** |
| **Expected Return** | | | **7.33%** |

*Absolute Return includes Credit Sensitive Investments.
***Target allocations are based on the FY2025 policy model.*
****Capital Market Assumptions (CMA) come from Meketa Investment Group's 2025 CMAs*
*****The volatility drag results from the conversion between arithmetic and geometric mean returns.*

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman-Union, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 24
Year Ended August 31, 2026

H. Pension Plan (continued)

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (7.00%) in measuring the Net pension liability.

| | 1% Decrease in Discount Rate (6.00%) | Discount Rate (7.00%) | 1% Increase in Discount Rate (8.00%) |
|---|---|---|---|
| District's proportionate Share of the net pension liability: | $ 1,891,553 | $ 1,173,684 | $ 576,220 |

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

At August 31, 2026, the District reported a liability of $ 1,173,684 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|---|---|
| District's Proportionate share of the collective net pension liability | $ 1,173,684 |
| State's proportionate share that is associated with the District | $ 1,745,021 |
| Total | $ 2,918,705 |

The net pension liability was measured as of August 31, 2025, 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, 2024, thru August 31, 2025.

At August 31, 2025, the employer's proportion of the collective net pension liability was 0.0018645375% which was a decrease of -0.0001418354% from its proportion measured as of August 31, 2024.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman-Union, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 25
Year Ended August 31, 2026

H. Pension Plan (continued)

**Changes in Assumptions and Benefits Since the Prior Actuarial Valuation**
The 2025 Texas Legislature passed HB2, which modified the future compensation structure for active employees covered by the System. As a result, a new salary increase assumption was adopted for determining the Net Pension Liability as of the August 31, 2025 measurement date. All other actuarial assumptions and methods remain the same as used in the determination of the prior year's Net Pension Liability. There have been no changes to the benefit provisions since the prior valuation.

For the year ended August 31, 2026, the District recognized pension expense of $428,896 and revenue of $162,002 for support provided by the State.

At August 31, 2026, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual actuarial experiences | $ 70,418 | $ 4,112 |
| Changes in actuarial assumptions | 112,559 | - |
| Difference between projected and actual Investment earnings | - | 53,339 |
| Changes in proportion and difference between The employer's contributions and the Proportionate share of contributions | 133,575 | $ 85,911 |
| Total as of August 31, 2025 measurement date | $ 316,552 | $ 143,362 |
| Contributions paid to TRS subsequent to the measurement date | 130,084 | $ - |
| Total as of fiscal year-end | $ 446,636 | $ 143,362 |

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

| Year ended August 31: | Pension Expense Amount |
|---|---|
| 2027 | $ 143,521 |
| 2028 | 26,243 |
| 2029 | (10,790) |
| 2030 | 9,257 |
| 2031 | 4,689 |
| Thereafter | - |

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman-Union, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 26
Year Ended August 31, 2026

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

I. Defined Other Post-Employment Benefit Plans (continued)

The 88th Legislature amended the Texas Insurance Code Chapter 1575 via Senate Bill 1854 allowing TRS to offer coverage for dental and vision care to retirees. In accordance with Chapter 1575.1601, TRS established the TRS-Care Dental and TRS-Care Vision plans. TRS-Care Dental and TRS-Care Vision are optional plans that are available to retirees who are eligible for TRS-Care. This includes their dependents, surviving spouses, and surviving dependent children. Retirees do not have to be enrolled in TRS-Care medical and pharmacy plans to be eligible for TRS-Care Dental and TRS-Care Vision. The first enrollment period for the plans began in October 2024 and coverage started in January 2025.

The General Appropriations Act passed by the 88th Legislature included funding to maintain TRS-Care premiums at their current level through 2025. Also, the 86th Legislature passed Senate Bill 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at $381,400,000 as of August 31, 2025.

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

**2025 TRS-Care Monthly Premium Rates**

| Retiree Type | Medicare | Non-Medicare | TRS-Care Dental | TRS-Care Vision |
|---|---|---|---|---|
| Retiree or Surviving Spouse | $75 | $200 | $41.64 | $6.89 |
| Retiree and Spouse | $280 | $689 | $83.29 | $13.79 |
| Retiree or Surviving Spouse and Children | $408 | $408 | $87.45 | $15.57 |
| Retiree and Family | $613 | $999 | $129.93 | $24.08 |

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of salary. Section 1575.204 establishes a public school contribution

I. Defined Other Post-Employment Benefit Plans (continued)

rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2025. The following table shows contributions to the TRS-Care plan by type of contributor.

**Contribution Rates**

| | 2025 | 2026 |
|---|---|---|
| **Active Employee** | **0.65%** | **0.65%** |
| **Non-Employer Contributing Entity (State)** | **1.25%** | **1.25%** |
| **Employers** | **0.75%** | **0.75%** |
| **Federal/private Funding remitted by Employers** | **1.25%** | **1.25%** |

| | |
|---|---|
| **Current Fiscal Year Employer Contributions** | **$ 26,420** |
| **Current Fiscal Year Member Contributions** | **$ 19,415** |
| **2025 Measurement Year NECE On-behalf Contributions** | **$ 30,907** |

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

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2024. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2025.

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.

Demographic Assumptions – The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of the Teacher Retirement System of Texas (TRS). The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman-Union, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 29
Year Ended August 31, 2026

I. Defined Other Post-Employment Benefit Plans (continued)

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

Election Rates – Normal Retirement – 62 percent participation rate prior to age 65 and 25 percent participation rate after age 65. Pre-65 retirees – 30 percent of pre-65 retirees are assumed to discontinue coverage at age 65.

Health Care Trend Rates – The initial medical trend rate was 7.35 percent for non-Medicare retirees and 9.00 percent for Medicare retirees. The initial prescription drug trend rate was 9.00 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 14 years.

***Actuarial Methods and Assumptions***

| | |
|---|---|
| Valuation Date | August 31, 2024, rolled forward to August 31, 2025 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Single Discount Rate | 5.23% as of August 31, 2025 |
| Aging Factors | Based on the Society of Actuaries' 2013 Study "Health Care Costs – From Birth To Death". |
| Expenses | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs. |
| Salary Increases | 3.20% to 9.20%, including inflation |
| Ad hoc-post-employment benefit changes | None |

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman-Union, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 30
Year Ended August 31, 2026

I. Defined Other Post-Employment Benefit Plans (continued)

6. Discount Rate

A single discount rate of 5.23 percent was used to measure the total OPEB liability. This was an increase of 1.36 percent in the discount rate since the previous year. Since the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate.

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, 2025, using the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (5.23%) in measuring the Net OPEB Liability.

| | 1% Decrease in Discount Rate (4.23%) | Discount Rate (5.23%) | 1% Increase in Discount Rate (6.23%) |
|---|---|---|---|
| District's proportionate Share of the Net OPEB Liability: | $ 738,525 | $ 628,856 | $ 538,480 |

8. Healthcare Cost Trend Rate Sensitivity Analysis

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

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| District's proportionate Share of the Net OPEB Liability: | $ 519,975 | $ 628,856 | $ 767,102 |

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman-Union, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 31
Year Ended August 31, 2026

I. Defined Other Post-Employment Benefit Plans (continued)

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

At August 31, 2026, the District reported a liability of $628,856 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the Net OPEB Liability, the related State support, and the total portion of the Net OPEB Liability that was associated with the District were as follows:

| | |
|---|---|
| District's Proportionate share of the collective net OPEB liability | $ 628,856 |
| State's proportionate share that is associated with the District | $ 834,316 |
| Total | $ 1,463,172 |

The Net OPEB Liability was measured as of August 31, 2025 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, 2024 thru August 31, 2025.

At August 31, 2025 the employer's proportion of the collective Net OPEB Liability was 0.0025227605% which was a increase of 0.0000117177% from its proportion measured as of August 31, 2024.

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

- The single discount rate changed from 3.87 percent as of August 31, 2024 to 5.23 percent as of August 31, 2025.
- The salary increase rates were revised to match those used in the pension valuation, and the health care trend rates were reset to reflect the plan's anticipated experience.

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

I. Defined Other Post-Employment Benefit Plans (continued)

For the year ended August 31, 2026, the District recognized OPEB expense of $(122,197) and revenue of $(96,398) for support provided by the State.

At August 31, 2026, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual actuarial experiences | $ 123,029 | $ 374,520 |
| Changes in actuarial assumptions | $ 77,763 | $ 258,288 |
| Difference between projected and actual Investment earnings | $ - | $ 3,868 |
| Changes in proportion and difference between The employer's contributions and the Proportionate share of contributions | $ 161,517 | $ 199,272 |
| Total as of August 31, 2025 measurement date | $ 362,309 | $ 835,948 |
| Contributions paid to TRS subsequent to the measurement date | $ 26,420 | $ - |
| Total as of fiscal year-end | $ 388,729 | $ 835,948 |

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

| Year ended August 31: | OPEB Expense Amount |
|---|---|
| 2027 | $ (76,816) |
| 2028 | (128,529) |
| 2029 | (79,866) |
| 2030 | (80,426) |
| 2031 | (67,045) |
| Thereafter | (40,957) |

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 33
Year Ended August 31, 2026

J. Health Care Coverage

During the year ended August 31, 2026, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of $250 per month per employee participating in the plan. Employees, at their option, authorized payroll deductions to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

K. Property/Casualty Insurance

During the year ended August 31, 2026, Wellman-Union ISD participated in the TASB Risk Management Fund's (the Fund's) Auto, Liability, and Property Programs.

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability, and Property Programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2026, the Fund anticipates that Wellman-Union ISD has no additional liability beyond the contractual obligations for payment of contributions.

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

L. Unemployment Compensation Pool

During the year ended August 31, 2026, Wellman-Union ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

L. Unemployment Compensation Pool (continued)

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool. For the year ended August 31, 2026, the Fund anticipates that Wellman-Union ISD has no additional liability beyond the contractual obligation for payment of contributions.

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

M. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug expenditures for eligible TRS-Care participants. The District's portion of subsidy reimbursements received by TRS for the years ended August 31, 2026, 2025, and 2024 were $23,546, $20,911, and $14,237, respectively.

N. Litigation

From time to time the District is party to various legal proceedings which occur in the District's operations. These legal proceedings are not expected to have an adverse impact on the operations or affected funds of the District.

O. Shared Services Arrangements

The District participates in a shared services arrangement for special education services with 6 other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 35
Year Ended August 31, 2026

P. Commitments and Contingencies

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

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G-1

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2026

| Data Control Codes | | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Original Budget Over (Under) Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|---|---|
| | REVENUES: | | | | | |
| 5700 | Local and Intermediate Sources | $ 1,221,009 | $ 1,973,984 | $ 752,975 | $ 1,939,005 | $ (34,979) |
| 5800 | State Program Revenues | 3,071,073 | 3,198,203 | 127,130 | 3,043,436 | (154,767) |
| 5020 | Total Revenues | 4,292,082 | 5,172,187 | 880,105 | 4,982,441 | (189,746) |
| | EXPENDITURES: | | | | | |
| | Current: | | | | | |
| | Instruction & Instructional Related Services: | | | | | |
| 0011 | Instruction | 2,330,795 | 2,400,795 | 70,000 | 2,350,458 | 50,337 |
| 0012 | Instructional Resources and Media Services | 15,826 | 17,326 | 1,500 | 16,321 | 1,005 |
| 0013 | Curriculum Dev. & Instructional Staff Dev. | 10,653 | 16,153 | 5,500 | 11,351 | 4,802 |
| 0021 | Instructional Leadership | 45,771 | 45,771 | - | 45,610 | 161 |
| 0023 | School Leadership | 287,979 | 223,479 | (64,500) | 218,142 | 5,337 |
| 0031 | Guidance, Counseling & Evaluation Services | 49,367 | 45,367 | (4,000) | 42,408 | 2,959 |
| 0033 | Health Services | 57,591 | 61,091 | 3,500 | 59,363 | 1,728 |
| 0034 | Student (Pupil) Transportation | 156,052 | 186,052 | 30,000 | 171,520 | 14,532 |
| 0036 | Curricular/Extracurricular Activities | 278,391 | 308,391 | 30,000 | 305,748 | 2,643 |
| 0041 | General Administration | 379,370 | 339,370 | (40,000) | 330,064 | 9,306 |
| 0051 | Plant Maintenance and Operations | 679,435 | 724,435 | 45,000 | 715,784 | 8,651 |
| 0052 | Security and Monitoring Services | 49,805 | 49,805 | - | 46,125 | 3,680 |
| 0053 | Data Processing Services | 136,704 | 131,504 | (5,200) | 129,255 | 2,249 |
| 0071 | Principal on Long-Term Debt | 13,000 | 12,000 | (1,000) | 8,542 | 3,458 |
| 0072 | Interest on Long-Term Debt | - | 2,500 | 2,500 | 1,118 | 1,382 |
| 0081 | Capital Outlay | - | 976,500 | 976,500 | 976,381 | 119 |
| 0093 | Payments to Fiscal Agent/Member Dist. SSA | 91,035 | 88,735 | (2,300) | 88,642 | 93 |
| 0099 | Other Intergovernmental Charges | 35,000 | 30,500 | (4,500) | 30,461 | 39 |
| 6030 | Total Expenditures | 4,616,774 | 5,659,774 | 1,043,000 | 5,547,293 | 112,481 |
| | Other Financing Sources (Uses): | | | | | |
| 8911 | Operating Transfers Out | (71,955) | (92,663) | (20,708) | (91,976) | 687 |
| | Total Other Financing Sources and (Uses) | (71,955) | (92,663) | (20,708) | (91,976) | 687 |
| 1200 | Net Change in Fund Balance | (396,647) | (580,250) | (183,603) | (656,828) | (76,578) |
| 0100 | Fund Balance - Beginning | 4,830,035 | 4,830,035 | - | 4,830,035 | - |
| 3000 | Fund Balance - Ending | $ 4,433,388 | $ 4,249,785 | $ (183,603) | $ 4,173,207 | $ (76,578) |

EXHIBIT G-1

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2026

Required Supplementary Information:
Notes to Budgetary Comparison Schedules

| | General Fund Over (Under) |
|---|---|
| BUDGETARY REVENUES: | |
| Differences--final budget to actual | |
| The School District had more Local Revenue than originally budgeted - this is mainly the District's tax revenue. Tax collections were more than budgeted. | $ 752,975 |
| The School District had more State Program Revenue than originally budgeted - The student population numbers were much better than expected. | $ 127,130 |
| BUDGETARY EXPENDITURES: | |
| Differences--original budget to final budget | |
| Overall actual expenditures were more than original buget, especially capital outlay, budget was amended for these differences | $ 1,043,000 |

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
For the Year Ended August 31, 2026

| | Measurement Year Ended August 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| District's Proportion of the Net Pension Liability (Asset) | 0.0018645375% | 0.0020063729% | 0.0016985879% | 0.0016494889% | 0.0018167314% | 0.0016564360% | 0.0014728636% | 0.0015889884% | 0.0014299678% | 0.0013127692% |
| District's Proportionate Share of Net Pension Liability (Asset) | $ 1,173,684 | $ 1,225,576 | $ 1,166,766 | $ 979,259 | $ 462,657 | $ 887,153 | $ 765,641 | $ 874,618 | $ 457,227 | $ 496,076 |
| State's Proportionate Share of the Net Pension Liability (Asset) associated with the District | 1,745,021 | 1,609,734 | 1,911,960 | 1,681,494 | 745,370 | 1,654,738 | 1,538,534 | 1,614,355 | 912,185 | 1,114,332 |
| Total | $ 2,918,705 | $ 2,835,310 | $ 3,078,726 | $ 2,660,753 | $ 1,208,027 | $ 2,541,891 | $ 2,304,175 | $ 2,488,973 | $ 1,369,412 | $ 1,610,408 |
| District's Covered Employee Payroll | $ 2,823,710 | $ 2,754,150 | $ 2,397,774 | $ 2,222,933 | $ 2,269,611 | $ 2,103,334 | $ 1,934,646 | $ 1,789,889 | $ 1,700,084 | $ 1,642,744 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll | 41.57% | 44.50% | 48.66% | 44.05% | 20.38% | 42.18% | 39.58% | 48.86% | 26.89% | 30.20% |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 78.24% | 77.51% | 73.15% | 75.62% | 88.79% | 75.54% | 75.24% | 73.74% | 82.17% | 78.00% |

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

SCHEDULE OF THE DISTRICT CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM
For the Year Ended August 31, 2026

| | Fiscal Year Ended August 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Contractually Required Contribution | $ 130,084 | $ 109,053 | $ 113,066 | $ 87,311 | $ 76,970 | $ 77,422 | $ 68,331 | $ 51,602 | $ 45,768 | $ 49,234 |
| Contribution in Relation to the Contractually Required Contribution | (130,084) | (109,053) | (113,066) | (87,311) | (76,970) | (77,422) | (68,331) | (51,602) | (45,768) | (49,234) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's Covered Employee Payroll | $ 2,986,923 | $ 2,823,710 | $ 2,754,150 | $ 2,397,774 | $ 2,222,933 | $ 2,269,611 | $ 2,103,334 | $ 1,934,646 | $ 1,789,889 | $ 1,700,084 |
| Contributions as a percentage of Covered Employee Payroll | 4.36% | 3.86% | 4.11% | 3.64% | 3.46% | 3.41% | 3.25% | 2.67% | 2.56% | 2.90% |

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
For the Year Ended August 31, 2025

| | Measurement Year Ended August 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| District's Proporation of the Net OPEB Liability (Asset) | 0.0025227605% | 0.0025110428% | 0.0025313705% | 0.0025841891% | 0.0027298080% | 0.0029056539% | 0.0023805056% | 0.0029033550% | 0.0022790872% |
| District's Proportionate Share of the Net OPEB Liability (Asset) | $ 628,856 | $ 762,140 | $ 560,403 | $ 618,758 | $ 1,053,009 | $ 1,104,570 | $ 1,125,771 | $ 1,449,672 | $ 991,090 |
| State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District | 834,316 | 954,951 | 676,212 | 754,788 | 1,410,797 | 1,484,278 | 1,495,897 | 1,539,342 | 1,295,394 |
| Total | $ 1,463,172 | $ 1,717,091 | $ 1,236,615 | $ 1,373,546 | $ 2,463,806 | $ 2,588,848 | $ 2,621,668 | $ 2,989,014 | $ 2,286,484 |
| District's Covered Payroll | $ 2,823,710 | $ 2,754,150 | $ 2,397,774 | $ 2,218,797 | $ 2,269,611 | $ 2,103,334 | $ 1,934,646 | $ 1,789,889 | $ 1,700,084 |
| District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll | 22.27% | 27.67% | 23.37% | 27.89% | 46.40% | 52.52% | 58.19% | 80.99% | 58.30% |
| Plan Fiduciary Net Position as a percentage of the Total OPEB Liability | 18.26% | 13.70% | 14.94% | 11.52% | 6.18% | 4.99% | 2.66% | 1.57% | 0.91% |

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

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
For the Year Ended August 31, 2026

| | Fiscal Year Ended August 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
| Contractually Required Contribution | $ 26,420 | $ 23,296 | $ 21,959 | $ 21,959 | $ 21,225 | $ 21,326 | $ 22,085 | $ 16,905 | $ 20,037 |
| Contribution in Relation to the Contractually Required Contribution | (26,420) | (23,296) | (21,959) | (21,959) | (21,225) | (21,326) | (22,085) | (16,905) | (20,037) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's Covered Payroll | $ 2,986,923 | $ 2,823,710 | $ 2,397,774 | $ 2,397,774 | $ 2,218,797 | $ 2,269,611 | $ 2,103,334 | $ 1,934,646 | $ 1,789,889 |
| Contributions as a percentage of Covered Payroll | 0.88% | 0.83% | 0.92% | 0.92% | 0.96% | 0.94% | 1.05% | 0.87% | 1.12% |

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

OTHER SUPPLEMENTARY INFORMATION

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2026

| Last Ten Years Ended August 31 | 1 Tax Rates Maintenance | 2 Tax Rates Debt Service | | 3 Assessed/Appraised Value for School Tax Purposes | 10 Beginning Balance 09/01/25 | 20 Current Year's Total Levy | 31 Maintenance Total Collections | 32 Debt Service Total Collections | 40 Entire Year's Adjustments | 50 Ending Balance 08/31/26 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2017 and Prior Years | Various | Various | Various | -- | $ 10,687 | $ - | $ 36 | $ 17 | $ - | $ 10,634 |
| 2018 | 1.0719 | 0.5160 | 1.5879 | 174,135,162 | 278 | - | 34 | 17 | - | 227 |
| 2019 | 1.0781 | 0.5160 | 1.5941 | 184,587,589 | 1,441 | - | 68 | 33 | - | 1,340 |
| 2020 | 1.0081 | 0.5410 | 1.5491 | 215,541,047 | 1,591 | - | 10 | 5 | - | 1,576 |
| 2021 | 0.9945 | 0.4106 | 1.4051 | 199,922,035 | 5,382 | - | 178 | 73 | - | 5,131 |
| 2022 | 0.9915 | 0.5876 | 1.5791 | 126,081,185 | 6,087 | - | 237 | 141 | - | 5,709 |
| 2023 | 0.8827 | 0.7073 | 1.5900 | 151,137,736 | 5,028 | - | 432 | 346 | - | 4,250 |
| 2024 | 0.7661 | 0.7073 | 1.4734 | 146,609,067 | 5,355 | - | 840 | 775 | - | 3,740 |
| 2025 | 0.7636 | 0.7073 | 1.4709 | 146,703,447 | 31,711 | - | 4,289 | 3,973 | (14,884) | 8,565 |
| 2026-School Year Under Audit | 0.7103 | 0.8199 | 1.5302 | 126,621,553 | - | 1,937,563 | 879,411 | 1,015,105 | - | 43,047 |
| 1000 | TOTALS | | | | $ 67,560 | $ 1,937,563 | $ 885,535 | $ 1,020,485 | $ (14,884) | $ 84,219 |
| 8000 | Total Taxes Refunded Under Section 26.1115(c), Tax Code | | | | | | $ - | | | |

Columns 10 + 20 - 30 - 30a + 40 Equals Column 50

Column 3 - Assessed/Appraised Value for School Tax Purposes:
This is the net appraised value, after deductions of all exemptions, tax freeze amounts and reductions provided by law and those granted by the district, based on maintenance requirements.

Column 20 - Current Year's Levy:
This amount is calculated by multiplying tax rate(s) times the applicable Assessed/Appraised Value(s) in Column 3.

Columns 30 and 30a - These are the total collections net of adjustments described in Column 40, according to each year of tax levy, and do NOT include penalties and interest.

Column 40 - Entire Year's Adjustments:
Total adjustments include corrections for errors in taxes assessed, taxes lost due to tax freeze and discounts allowed for early payment of taxes.

Column 50 - Ending Balance 8/31/26

EXHIBIT J-1

EXHIBIT J-2

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2026

| Data Control Codes | | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Original Budget Over (Under) Final Budget | Actual | Variance with Final Budget Over (Under) Actual Amounts |
|---|---|---|---|---|---|---|
| | REVENUES: | | | | | |
| 5700 | Local and Intermediate Sources | $ 1,029,884 | $ 1,029,884 | $ - | $ 1,029,396 | $ (488) |
| 5800 | State Program Revenues | 50,000 | 50,000 | - | 56,646 | 6,646 |
| 5020 | Total Revenues | 1,079,884 | 1,079,884 | - | 1,086,042 | 6,158 |
| | EXPENDITURES: | | | | | |
| | Current: | | | | | |
| | Debt Service | | | | | |
| 0071 | Principal on Long-Term Debt | 176,878 | 176,878 | - | 176,878 | - |
| 0072 | Interest on Long-Term Debt | 844,766 | 844,964 | 198 | 844,964 | - |
| 0073 | Bond Issuance Costs and Fees | 1,198 | 10,000 | 8,802 | 425 | 9,575 |
| | Total Debt Service | 1,022,842 | 1,031,842 | 9,000 | 1,022,267 | 9,575 |
| 6030 | Total Expenditures | 1,022,842 | 1,031,842 | 9,000 | 1,022,267 | 9,575 |
| | Other Financing Sources (Uses): | | | | | |
| 7915 | Operating Transfers In | - | - | - | - | - |
| | Total Other Financing Sources and (Uses) | - | - | - | - | - |
| 1200 | Net Change in Fund Balance | 57,042 | 48,042 | (9,000) | 63,775 | 15,733 |
| 0100 | Fund Balance - Beginning | 212,520 | 212,520 | - | 212,520 | - |
| 3000 | Fund Balance - Ending | $ 269,562 | $ 260,562 | $ (9,000) | $ 276,295 | $ 15,733 |

EXHIBIT J-3

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

NATIONAL SCHOOL BREAKFAST/LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2026

| Data Control Codes | | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Original Budget Over (Under) Final Budget | Actual | Variance with Final Budget Over (Under) Actual Amounts |
|---|---|---|---|---|---|---|
| | REVENUES: | | | | | |
| 5700 | Local and Intermediate Sources | $ 42,000 | $ 42,000 | $ - | $ 41,877 | $ (123) |
| 5800 | State Program Revenues | 9,962 | 9,962 | - | 5,650 | (4,312) |
| 5900 | Federal Program Revenues | 102,285 | 102,285 | - | 92,177 | (10,108) |
| 5020 | Total Revenues | 154,247 | 154,247 | - | 139,704 | (14,543) |
| | EXPENDITURES: | | | | | |
| | Current: | | | | | |
| | Support Services-Student (Pupil): | | | | | |
| 0035 | Food Services | 226,202 | 246,897 | 20,695 | 234,550 | 12,347 |
| | Total Support Services - Student (Pupil) | 226,202 | 246,897 | 20,695 | 234,550 | 12,347 |
| 6030 | Total Expenditures | 226,202 | 246,897 | 20,695 | 234,550 | 12,347 |
| | Other Financing Sources (Uses): | | | | | |
| 7915 | Operating Transfers In | 71,955 | 92,650 | 20,695 | 94,846 | 2,196 |
| | Total Other Financing Sources and (Uses) | 71,955 | 92,650 | 20,695 | 94,846 | 2,196 |
| 1200 | Net Change in Fund Balance | - | - | - | - | - |
| 0100 | Fund Balance - Beginning | - | - | - | - | - |
| 3000 | Fund Balance - Ending | $ - | $ - | $ - | $ - | $ - |

EXHIBIT J-4

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

USE OF FUNDS REPORT --
SELECT STATE ALLOTMENT PROGRAMS
For the Year Ended August 31, 2026

Section A: Compensatory Education Programs

| | | | |
|---|---|---|---|
| AP1 | Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year? | | Yes |
| AP2 | Does the LEA have written policies and procedures for its state compensatory education program? | | Yes |
| AP3 | List the total state allotment funds received for state compensatory education programs during the district's fiscal year. | $ | 190,257 |
| AP4 | List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34) | $ | 123,222 |

Section B: Bilingual Education Programs

| | | | |
|---|---|---|---|
| AP5 | Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year? | | Yes |
| AP6 | Does the LEA have written policies and procedures for its bilingual education program? | | Yes |
| AP7 | List the total state allotment funds bilingual education programs during the LEA's fiscal year. | $ | 20,365 |
| AP8 | List the actual direct program expenditures for state bilingual education programs during the LEA's fiscal year. (PICs 25, 35) | $ | 22,333 |

# Terry & King, CPAs, P.C.

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Randel J. Terry, CPA
Ryan R. King, CPA

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## Independent Auditors' Report

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

Board of Trustees
Wellman-Union Independent School District
P.O. Box 69
Wellman, Texas 79378

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wellman-Union Independent School District, as of and for the year ended August 31, 2026, and the related notes to the financial statements, which collectively comprise the Wellman-Union Independent School District's basic financial statements, and have issued our report thereon dated October 30, 2026.

***Report on Internal Control over Financial Reporting***

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

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

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



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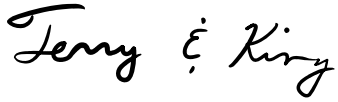
***Report on Compliance and Other Matters***

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

***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.

Respectfully submitted,



Terry & King, CPAs, P.C.
Lubbock, Texas
October 30, 2026

# WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2026

A. Summary of Auditors' Results

1. Financial Statements

| | | |
|---|---|---|
| Type of auditor's report issued: | Unmodified | |
| Internal control over financial reporting: Material weakness(es) identified? | ____Yes | __X_No |
| Significant deficiencies identified that are not considered to be material weaknesses? | ____Yes | __X_None Reported |
| Noncompliance material to financial Statements noted? | ____Yes | __X_No |

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

SUMMARY OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2026

| Findings/Recommendation | Current Status | Management's Explanation if Not Implemented |
|---|---|---|
| Not Applicable - None | | |

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2026

Not Applicable – None Required

EXHIBIT L-1

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
Wellman, Texas

SCHOOLS FIRST QUESTIONNAIRE
For the Year Ended August 31, 2026

| | | |
|---|---|---|
| SF1 | Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole? | Yes |
| SF2 | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end? | No |
| SF3 | Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? | Yes |
| SF4 | Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold. | No |
| SF5 | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? | No |
| SF6 | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? | No |
| SF7 | Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Coe, Texas Administrative Code and other statutes, laws and rules that were in effect at the scholl district's fiscal year end? | Yes |
| SF8 | Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget? | Yes |
| SF9 | Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end. | $ 195,984 |