MILLSAP INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED AUGUST 31, 2026

MILLSAP INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2026

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CERTIFICATE OF BOARD

Millsap Independent School District	Parker	184-904
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 (check one) _____ approved _____ disapproved for the year ended August 31, 2026, at a meeting of the Board of Trustees of such school district on the ____ day of _____, 2026.

_____	_____
Signature of Board Secretary	Signature of Board President

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Members:
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

HANKINS, EASTUP, DEATON, TONN, SEAY & SCARBOROUGH
A Limited Liability Company
CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

Independent Auditor's Report

Board of Trustees
Millsap Independent School District
Millsap, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Millsap Independent School District (the "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 District as of August 31, 2026, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and other TEA required schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 20, 2026, on our consideration of the District's internal control over financial reporting and on our tests of the compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Hankins Eastup Deaton Tonn Seay & Scarborough

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

October 20, 2026

MILLSPA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2026
(UNAUDITED)

As management of Millsap Independent School District (the "District"), we offer readers of the District's financial statements this management discussion and analysis (MD&A). Theis MD&A provides a narrative overview and summary of the financial activities of the District for the year ended August 31, 2026, and its purpose is to help 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. We encourage readers to consider the information presented here in conjunction with the independent auditors' report and the District's Basic Financial Statements, which are listed in the table of contents.

Overview of the Financial Statements

This overview is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information intended to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a *broad overview* of the District's finances in a manner similar to a private-sector business. The government-wide financial statements include the District's governmental activities, business-type activities, and discretely presented component units, if applicable.

The *Statement of Net Position* presents financial information on all of the District's assets, liabilities and deferred inflows/outflows of resources, with the net difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well such as changes in the District's average daily attendance, its property tax base, and the condition of the District's facilities.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported for some items that will result in cash flows in future periods (e.g., uncollected taxes or unused compensated absences).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (i.e., *governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (i.e., *business-type* activities). The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students outside the District and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (*program revenues*), and revenues provided by the taxpayers or by TEA in equalization funding processes (*general revenues*). The governmental activities of the District include functions like instruction, guidance and counseling, transportation, food service, extracurricular, general administration and other functional activities. During fiscal year 2026, the District had no business-type activities or discretely presented component units.

The government-wide financial statements are listed in the table of contents.

Fund Financial Statements. As their name implies, *fund financial statements* disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. *Funds* are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to help ensure and demonstrate compliance with finance-related legal requirements and restrictions. All of the funds of the District can be divided into three fund categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions as reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus exclusively on *near-term inflows and outflows of financial resources.* Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers gain a better understanding of the long-term impact of a government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between *governmental funds* in the fund financial statements and *governmental activities* in the government-wide financial statements. The primary difference is that fund financial statements do not include the long-term assets and liabilities that are included in the government-wide financial statements.

The District maintains different *types* of governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund*, *debt service fund*, and *capital projects fund*, each of which are considered to be major funds of different fund types. Data from other nonmajor governmental funds are combined into a single, aggregated presentation in the fund financial statements. Individual fund data for each of these nonmajor governmental funds is provided in combining statements as supplementary information.

The basic governmental fund financial statements are listed in the table of contents.

Proprietary Funds. There are two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District has no proprietary funds.

Fiduciary Funds. Fiduciary funds are used to account for resources for which the District acts as a trustee or custodian. Resources held in fiduciary funds are *not* available to support the District's own programs and therefore are *not* reported in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds. The District maintains one fiduciary fund—a custodial fund for student activities. The student activity fund is used to report resources held as a custodian for stand-alone student groups.

The fiduciary fund financial statements are listed in the table of contents.

Notes to the Financial Statements. Notes to the financial statements provide additional information that is necessary to acquire a more complete understanding of the data provided in the basic 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 legal or financial contingencies).

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. In addition to this MD&A, the District presents various schedules related to budget to actual comparisons for the General Fund and schedules that provide information about the District's participation in the Teacher Retirement System retirement and health

care plans.

Required supplementary information is listed in the table of contents.

Supplementary Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented as supplementary information immediately following the required supplementary information.

Required Texas Education Agency (TEA) Schedules. Additional schedules are provided that are required by the TEA to be included in this report. These consist of a schedule of delinquent taxes receivable, and a use of funds report that reports the expenditures of certain specific programs funded by the State. This sections also includes the budgetary comparison schedules for the Child Nutrition Fund and the Debt Service Fund.

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 full accrual basis of accounting*. In other words, they include all the typical short-term and long-term elements of financial statements:

- 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 net amounts owed to employees from Teacher Retirement System benefit plans.
- Deferred outflows of resources and deferred inflows of resources – flows of economic resources that occur during the year, or occurred in prior years, that will be recognized as expenses and revenues in future years in accordance with generally accepted accounting principles.
- Revenues and expenses – inflows and outflows of economic resources, respectively, recognized in the current year.

Governmental fund financial statements use the *current financial resources measurement focus and modified accrual basis of accounting* to report the sources, uses and balances of current financial resources. The governmental funds do not report long-term assets, such as capital assets, or long-term liabilities, but they do report the flows of current financial resources related to those long-term items. For example, in governmental funds, proceeds from issuing bonds and the repayment of bond principal are recorded as current sources and uses of financial resources, not as the incurrence or repayment of long-term liabilities as would be the case in financial statements that use the full accrual basis of accounting.

More detail about the measurement focuses and bases of accounting can be found in the first note to the financial statements, which is a summary of significant accounting policies.

Financial Summary and Detailed Analysis

As noted earlier, net position in the government-wide financial statements serves as a useful indicator of a government's overall financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $20,784,964 at the close of the most recent fiscal year, an increase of $5,120,765 from the previous year.

The largest component of the District's total assets is its investment in capital assets (i.e., land, buildings, furniture and equipment, vehicles and right-to-use assets). The District uses these capital assets to provide a variety of services to its students. As physical and intangible assets, these assets are not available for future spending.

Table I
NET POSITION

	Governmental Activities	
	June 30, 2026	June 30, 2025
Current assets	$ 15,282,797	$ 15,994,756
Capital assets	21,105,690	18,246,233
Total assets	36,388,487	34,240,989
Deferred outflows of resources	3,229,637	3,612,715
Total assets and deferred outflows of resources	$ 39,618,124	$ 37,853,704
Long-term liabilities	$ 15,376,996	$ 18,361,018
Other liabilities	844,188	1,541,564
Total liabilities	16,221,184	19,902,582
Deferred inflows of resources	2,611,976	2,286,933
Net position	20,784,964	15,664,189
Total liabilities, deferred outflows, and net position	$ 39,618,124	$ 37,853,704

Governmental Activities. Current assets decreased $711,959 from the prior year, due primarily to expenditures for capital projects and a decrease in amounts due from other governments at year-end.

Capital assets, net of depreciation/amortization, increased $2,859,457 as a result of expenditures for capital projects, net of depreciation/amortization expense for the fiscal year.

Long-term liabilities decreased $2,984,022, due primarily to principal repayments on bonded indebtedness that occurred during the fiscal year.

Other liabilities decreased $697,376, due primarily to a decrease in accounts payable and accrued expenses as compared to the prior fiscal year-end. Last year, the District accrued a contingency for amounts due to other governments at fiscal year-end. No such contingency has been accrued at the end of the 2026 fiscal year.

The changes in deferred outflows and inflows of resources are due primarily to changes in the actuarial calculations of the District's net pension and OPEB liabilities, which creates amounts that are deferred and recognized as expenses or reductions to expenses over periods of time specified by generally accepted accounting principles.

Business-type Activities. The District has no business-type activities.

The District's overall net position increased $5,120,765 from the previous year due to current year operations. The reasons for the increase are discussed in the analysis of changes in net position on the next page.

Table II
CHANGES IN NET POSITION

	Governmental Activities	
	Year Ended June 30, 2026	Year Ended June 30, 2025
Revenues		
Program revenues:		
Charges for services	$ 402,503	$ 624,754
Operating grants and contributions	846,064	1,690,644
General revenues:		
Property taxes	8,048,051	7,788,010
State aid	8,454,091	7,994,826
Investment earnings	629,873	656,331
Other	4,459,128	844,833
Total revenues	22,839,710	19,599,398
Expenses		
Instruction, curriculum and media services	9,304,372	8,222,290
School leadership	1,034,324	893,990
Student support services	1,237,558	986,307
Child nutrition	862,432	772,216
Extracurricular activities	849,025	795,365
General administration	1,127,341	1,092,414
Plant maintenance, security and data processing	2,455,001	2,254,300
Debt service - interest expense	439,809	499,484
Intergovernmental charges	409,083	425,838
Total expenses	17,718,945	15,942,204
Transfers in (out)	-	-
Increase (decrease) in net position	$ 5,120,765	$ 3,657,194

Governmental Activities. The District's net position increased $5,120,765 during the 2026 fiscal year. This increase is the result of three main factors that positively impacted the District's financial outcomes:

- Property tax revenues increased due to increases in assessed property tax valuations.
- State aid increased due to state funding for teacher salaries.
- Positive revenue and expenditure variances in the management of the District's general fund operations during the fiscal year.

Increases in instructional expenses were due primarily to increases in teacher salaries, which was funded by increases in state aid. Increases in student support services related primarily to increased funding for student transportation.

Business-type Activities. The District has no business-type activities.

Analysis of Governmental Funds

As noted earlier, the District uses fund accounting to help ensure and demonstrate compliance with legal requirements, bond covenants, and restrictions of financial resources provided for specific purposes. The District reports three major funds individually in the governmental fund financial statements: General Fund, Debt Service Fund and Capital Projects Fund.

As of June 30, 2026, the end of the District's fiscal year, the District's governmental funds reported combined fund balances of $14,574,417, an increase of $277,846 from the prior year. Approximately 81% of total governmental fund balances constitutes *committed, assigned and unassigned fund balances*, which are available for spending at the District's discretion. The remainder of governmental fund balances is *nonspendable or restricted* to indicate that balances are not available for discretionary spending because they are already restricted to debt service or construction of capital projects.

General Fund. The general fund is the chief operating fund of the District. As of June 30, 2026, the unassigned fund balance of the general fund was $5,309,172. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents 35% of total general fund expenditures, which is higher than the minimally acceptable benchmark of 25% that is normally associated with general fund balances.

The fund balance of the District's general fund decreased by $155,603 during the 2026 fiscal year. As noted earlier, key factors related to this change are an increase in property taxes revenues, an increase in stated aid, and sound budgetary control that produced positive revenue and expenditure budget variances.

Debt Service Fund. As of June 30, 2026, the debt service fund balance was $2,648,383, all of which is restricted for the payment of debt service on general obligation bonds. Property tax revenues that are restricted to interest and sinking fund requirements were higher than the previous year.

Capital Projects Fund. The fund balance in the capital projects fund increased $133,867 during the 2026 fiscal year due to a $500,000 transfer from the general fund to the capital projects fund. Although capital expenditures reduce fund balances, they create new capital assets that are recognized and reported in the District's government-wide Statement of Net Position.

Detailed Analysis of Enterprise Funds

The District has no enterprise funds.

Significant Capital Asset and Long-Term Financing Activity

Capital Assets. As of June 30, 2026, the District's investment in capital assets (net of depreciation/amortization) for its governmental activities was $21,105,691; the District is invested in a broad range of capital assets including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of $2,859,458 during the fiscal year.

	Governmental Activities	
	2026	2025
Land	$ 947,249	$ 947,249
Construction in progress		7,836
Building and improvements	18,973,272	16,002,929
Furniture and equipment	1,158,840	1,239,307
Intangible assets	26,329	48,912
Total	$ 21,105,691	$ 18,246,233

Additional information about the District's capital assets is presented in Note 4 of this report

Long-term Financing. As of June 30, 2026, the District had total long-term financing of $9,999,366, consisting primarily of unlimited tax refunding bonds, bond premiums, and finance leases. During the

current year, long-term financings decreased $2,041,132.

	Governmental Activities	
	2026	2025
Bonded indebtedness	$ 9,425,000	$ 11,365,000
Bond premiums	556,553	637,517
Finance leases	17,813	37,981
Total	$ 9,999,366	$ 12,040,498

The refunding bonds constitute direct obligations of the District and are payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. The District's underlying rating for unlimited tax bonds is "A" by S&P, but it is considered AAA as a result of guarantees by the Texas Permanent School Fund Guarantee Program.

Additional information about the District's long-term liabilities is presented in Note 5 of this report.

Currently Known Facts, Decisions or Conditions

The District is aware of the following items that will impact future finances and were considered in developing the 2026-27 annual operating budget:

- Although HB3 increased state aid and lowered property tax rates, the funding formula still relies heavily on student attendance.
- At the end of the 2025 legislative session, House Bill 2 (HB2) passed providing additional funding for public schools with most of the dollars earmarked for specific purposes such as teacher pay raises and special education. The basic allotment saw only a minimal increase of $55 per student. Because much of the new state funding came with restrictions, school districts were left with very limited discretionary resources to address locally identified program needs and inflation.
- For fiscal 2027, the Board adopted a total tax rate of $1.062 per $100 of assessed property valuation ($0.7474 for maintenance and operations and $0.3146 for interest and sinking fund requirements for debt service).
- For fiscal 2027, the District's Board adopted a $17.6 million operating budget with a projected $1.2 of estimated revenues in excess of budgeted expenditures.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District business office at 201 East Brazos Street, Millsap, Texas 76066.

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BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

MILLSAP INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2026

Data Control Codes		Primary Government Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	$ 14,856,532
1220	Property Taxes - Delinquent	276,647
1230	Allowance for Uncollectible Taxes	(95,078)
1240	Due from Other Governments	218,664
1410	Prepayments	26,032
	Capital Assets:	
1510	Land	947,249
1520	Buildings, Net	18,973,272
1530	Furniture and Equipment, Net	1,158,840
1550	Right-to-Use Leased Assets, Net	18,789
1553	SBITA Assets, Net	7,540
1000	Total Assets	36,388,487
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred Charge for Refunding	791,996
1705	Deferred Outflow Related to TRS Pension	1,085,035
1706	Deferred Outflow Related to TRS OPEB	1,352,606
1700	Total Deferred Outflows of Resources	3,229,637
LIABILITIES		
2110	Accounts Payable	25,322
2140	Interest Payable	17,367
2160	Accrued Wages Payable	463,265
2200	Accrued Expenses	38,234
	Noncurrent Liabilities:	
2501	Due Within One Year: Loans, Note, Leases, etc.	807,813
	Due in More than One Year:	
2502	Bonds, Notes, Loans, Leases, etc.	9,372,526
2540	Net Pension Liability (District's Share)	3,452,417
2545	Net OPEB Liability (District's Share)	2,044,240
2000	Total Liabilities	16,221,184
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflow Related to TRS Pension	264,325
2606	Deferred Inflow Related to TRS OPEB	2,347,651
2600	Total Deferred Inflows of Resources	2,611,976
NET POSITION		
3200	Net Investment in Capital Assets and Right-to-Use Lease Assets	12,032,187
3850	Restricted for Debt Service	2,684,411
3900	Unrestricted	6,068,366
3000	Total Net Position	$ 20,784,964

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

EXHIBIT B-1

MILLSAP INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2026

Data Control Codes		1	Program Revenues 3	4	Net (Expense) Revenue and Changes in Net Position 6
		Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:					
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 9,218,210	$ 55,250	$ 237,549	$ (8,925,411)
12	Instructional Resources and Media Services	21,792	-	-	(21,792)
13	Curriculum and Instructional Staff Development	64,370	-	41,141	(23,229)
23	School Leadership	1,034,324	-	-	(1,034,324)
31	Guidance, Counseling, and Evaluation Services	260,072	-	-	(260,072)
33	Health Services	185,263	-	21,248	(164,015)
34	Student (Pupil) Transportation	792,223	-	-	(792,223)
35	Food Services	862,432	308,372	362,659	(191,401)
36	Extracurricular Activities	849,025	38,881	-	(810,144)
41	General Administration	1,127,341	-	-	(1,127,341)
51	Facilities Maintenance and Operations	2,118,275	-	-	(2,118,275)
52	Security and Monitoring Services	192,059	-	-	(192,059)
53	Data Processing Services	144,667	-	-	(144,667)
72	Debt Service - Interest on Long-Term Debt	425,759	-	183,467	(242,292)
73	Debt Service - Bond Issuance Cost and Fees	14,050	-	-	(14,050)
93	Payments Related to Shared Services Arrangements	304,727	-	-	(304,727)
99	Other Intergovernmental Charges	104,356	-	-	(104,356)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 17,718,945	$ 402,503	$ 846,064	(16,470,378)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	5,682,396
DT	Property Taxes, Levied for Debt Service	2,365,655
SF	State Aid - Formula Grants	8,454,091
IE	Investment Earnings	629,873
IE	Miscellaneous Local and Intermediate Revenue	915,444
IE	Insurance Recovery	3,543,684
TR	Total General Revenues	21,591,143
CN	Change in Net Position	5,120,765
NB	Net Position - Beginning	15,664,199
NE	Net Position - Ending	$ 20,784,964

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

MILLSAP INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2026

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	ASSETS			
1110	Cash and Cash Equivalents	$ 11,413,116	$ 2,642,459	$ 133,867
1220	Property Taxes - Delinquent	197,009	79,638	-
1230	Allowance for Uncollectible Taxes	(67,625)	(27,453)	-
1240	Due from Other Governments	56,303	5,924	-
1260	Due from Other Funds	727,090	-	-
1410	Prepayments	26,032	-	-
1000	Total Assets	$ 12,351,925	$ 2,700,568	$ 133,867
	LIABILITIES			
2110	Accounts Payable	$ 10,849	$ -	$ -
2160	Accrued Wages Payable	452,395	-	-
2170	Due to Other Funds	180,861	-	-
2200	Accrued Expenditures	26,732	-	-
2000	Total Liabilities	670,837	-	-
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	129,384	52,185	-
2600	Total Deferred Inflows of Resources	129,384	52,185	-
	FUND BALANCES			
	Nonspendable Fund Balance:			
3430	Prepaid Items	26,032	-	-
	Restricted Fund Balance:			
3470	Capital Acquisition and Contractual Obligation	-	-	133,867
3480	Retirement of Long-Term Debt	-	2,648,383	-
	Committed Fund Balance:			
3510	Construction	6,216,500	-	-
3545	Other Committed Fund Balance	-	-	-
3600	Unassigned Fund Balance	5,309,172	-	-
3000	Total Fund Balances	11,551,704	2,648,383	133,867
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 12,351,925	$ 2,700,568	$ 133,867

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

	Other Funds	Total Governmental Funds
$	667,090	$ 14,856,532
	-	276,647
	-	(95,078)
	156,437	218,664
	180,861	907,951
	-	26,032
$	1,004,388	$ 16,190,748
$	14,473	$ 25,322
	10,870	463,265
	727,090	907,951
	11,502	38,234
	763,935	1,434,772
	-	181,569
	-	181,569
	-	26,032
	-	133,867
	-	2,648,383
	-	6,216,500
	240,453	240,453
	-	5,309,172
	240,453	14,574,407
$	1,004,388	$ 16,190,748

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MILLSAP INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2026

EXHIBIT C-2

	Total Fund Balances - Governmental Funds	$	14,574,407
1	Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.		43,725,558
2	Accumulated depreciation is not reported in the fund finanical statements.		(22,619,868)
3	Bonds payable, financing leases, and compensated absences are not reported in the fund financial statements.		(9,623,786)
4	Bond premiums on outstanding bonds payable are not recognized in the fund financial statements.		(556,553)
5	The deferred charge on bond refundings is not recognized in the fund financial statements.		791,996
6	Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditrues are reported when due.		(17,367)
7	Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.		181,569
8	Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the Net Pension Liability required by GASB 68 in the amount of $3,452,417, Deferred Inflows of Resources related to TRS Pension in the amount of $264,325, and Deferred Outflows of Resources related to TRS Pension in the amount of $1,085,035. This results in a decrease in Net Position.		(2,631,707)
9	Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of $2,044,240, Deferred Inflows of Resources related to TRS OPEB in the amount of $2,347,651, and Deferred Outflows of Resources related to TRS OPEB in the amount of $1,352,606. This results in a decrease in Net Position.		(3,039,285)
29	**Net Position of Governmental Activities**	$	20,784,964

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

MILLSAP INDEPENDENT SCHOOL DISTRICT
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	60 Capital Projects
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 6,713,694	$ 2,487,820	$ 3,543,684
5800	State Program Revenues	8,791,264	184,662	-
5900	Federal Program Revenues	34,290	-	-
5020	Total Revenues	15,539,248	2,672,482	3,543,684
	EXPENDITURES:			
	Current:			
0011	Instruction	8,220,102	-	-
0012	Instructional Resources and Media Services	21,606	-	-
0013	Curriculum and Instructional Staff Development	21,592	-	-
0023	School Leadership	974,019	-	-
0031	Guidance, Counseling, and Evaluation Services	243,340	-	-
0033	Health Services	175,179	-	-
0034	Student (Pupil) Transportation	747,305	-	-
0035	Food Services	14,240	-	-
0036	Extracurricular Activities	589,072	-	-
0041	General Administration	1,041,216	-	-
0051	Facilities Maintenance and Operations	2,054,634	-	-
0052	Security and Monitoring Services	125,273	-	-
0053	Data Processing Services	147,862	-	-
	Debt Service:			
0071	Principal on Long-Term Liabilities	20,158	1,940,000	-
0072	Interest on Long-Term Liabilities	1,822	430,558	-
0073	Bond Issuance Cost and Fees	-	14,050	-
	Capital Outlay:			
0081	Facilities Acquisition and Construction	207,487	-	3,909,817
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	304,727	-	-
0099	Other Intergovernmental Charges	104,356	-	-
6030	Total Expenditures	15,013,990	2,384,608	3,909,817
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	525,258	287,874	(366,133)
	OTHER FINANCING SOURCES (USES):			
7915	Transfers In	-	-	500,000
8911	Transfers Out (Use)	(680,861)	-	-
7080	Total Other Financing Sources (Uses)	(680,861)	-	500,000
1200	Net Change in Fund Balances	(155,603)	287,874	133,867
0100	Fund Balance - September 1 (Beginning)	11,707,317	2,360,509	-
3000	Fund Balance - August 31 (Ending)	$ 11,551,714	$ 2,648,383	$ 133,867

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

	Other Funds	Total Governmental Funds
$	802,146	$ 13,547,344
	48,632	9,024,558
	615,014	649,304
	1,465,792	23,221,206
	487,370	8,707,472
	-	21,606
	41,141	62,733
	-	974,019
	-	243,340
	-	175,179
	-	747,305
	786,036	800,276
	234,828	823,900
	-	1,041,216
	85,570	2,140,204
	-	125,273
	-	147,862
	-	1,960,158
	-	432,380
	-	14,050
	-	4,117,304
	-	304,727
	-	104,356
	1,634,945	22,943,360
	(169,153)	277,846
	180,861	680,861
	-	(680,861)
	180,861	-
	11,708	277,846
	228,745	14,296,571
$	240,453	$ 14,574,417

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MILLSAP INDEPENDENT SCHOOL DISTRICT EXHIBIT C-4
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2026

Total Net Change in Fund Balances - Governmental Funds	$	277,846
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.		4,306,197
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.		(1,446,740)
Current year long-term debt principal payments on bonds and financing leases are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements. Included in this amount is the change in accrued compensated absences.		1,926,866
Interest expense on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due. The current year decrease in accrued interest payable increases the change in net position in the government-wide financial statements.		2,077
Bond premiums and discounts are not amortized in the fund financial statements, but are reported net of amortization in the government-wide financial statements.		80,964
Current year amortization of the deferred charge on bond refundings is not recognized in the fund finanical statements, but is shown as a reduction of the deferred charge in the government-wide financial statements.		(76,420)
Revenues from property taxes are shown as unavailable in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible accounts, in the government-wide financial statements.		5,494
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resources outflows. TRS Pension contributions made after the measurement date of 8/31/2025 caused the change in the ending net position to increase $362,272. These contributions were replaced with the District's negative pension expense for the year of $474,126, which caused a decrease in the change in net position. The net effect of these is to decrease the change in net position.		(111,854)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2025 but during the current fiscal year caused the ending change in net position to increase in the amount of $82,995. These contributions were replaced with the District's negative OPEB expense for the year, which was $(73,341) which also caused an increase in the change in net position. The net effect of these is to increase the change in net position.		156,335
Change in Net Position of Governmental Activities	$	5,120,765

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

EXHIBIT E-1

MILLSAP INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2026

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	$ 81,013
Other Receivables	1,089
Total Assets	82,102
NET POSITION	
Unrestricted Net Position	82,102
Total Net Position	$ 82,102

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

EXHIBIT E-2

MILLSAP INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2026

	Custodial Fund
ADDITIONS:	
Received from Student Groups	$ 170,720
Total Additions	170,720
DEDUCTIONS:	
Other Deductions	155,867
Total Deductions	155,867
Change in Fiduciary Net Position	14,853
Total Net Position - September 1 (Beginning)	67,249
Total Net Position - August 31 (Ending)	$ 82,102

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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Millsap Independent School District (the "District") is a public educational agency operating under the applicable rules and regulations of the State of Texas. The District's combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FASRG). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven-member group elected by registered voters of the District, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The boards of trustees ("the Board") are elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basis financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating and capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes, state revenue, and other sources of revenue not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The District segregates transactions related to certain functions or activities into separate funds to aid financial management and demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund, and any fund balance is considered resources available for current operations. Fund balance may be appropriated by the Board of Trustees to implement its responsibilities.

2. **Debt Service Fund** - This fund is established to account for the payment of principal and interest on long-term general obligation debt and other long-term debts for which property tax revenues have been dedicated. This is a budgeted fund. Any unused sinking fund balances are transferred to the General Fund after all the related debt obligations have been met.

3. **Capital Projects Fund** – This fund is established to account for proceeds received from financing sources that will be used to fund capital projects. Funds are legally restricted to expenditures for capital outlays.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally restricted funds or expenditures legally restricted or committed for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

2. **Fiduciary Funds** - The District reports a Custodial Fund as Fiduciary Funds. Custodial Funds are custodial in nature and account for activities of outside student and employee groups. Custodial Funds use the accrual basis of accounting to recognize assets and liabilities. Custodial Funds exist with the explicit approval of and are subject to revocation by the Board.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The *government-wide financial statements* are reported using the economic resources measurement focus and accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (both current or non-current) are included on the statement of net position, and the operating statements present increases (revenues) and decreases (expenses) in net total position.

Under the accrual basis of accounting, revenues are recognized when *earned* and expenses are recognized at the time a liability is *incurred*, regardless of when related cash flows take place.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both *measurable and available*. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected during the fiscal year. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

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

The District records its proportionate share of the net OPEB liability of the Teacher Retirement System of Texas (TRS) TRS-Care Plan. The fiduciary net position in TRS financial statements has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This determines the District's reporting of net OPEB liability, deferred outflows of resources, deferred inflows of resources, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments in TRS financial statements are recognized when due and payable in accordance with benefit terms. There are no investments as this is a pay-as-you-go plan.

Revenues susceptible to accrual are property taxes, state revenue, charges for services, interest income, and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred in accordance with grant terms and conditions. Funds received but unearned are reflected as deferred revenues; funds expended but not yet reimbursed are shown as receivables.

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

Revenues from investments, including revenues from governmental external investment pools, are valued at fair value. Fair value is the amount at which a financial instrument can be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. Most investments are reported at amortized cost when investments have remaining maturities of one year of less at the time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. Short-term investments are those with remaining maturities at the time of purchase up to ninety days.

In accordance with the FASRG, the District uses an accounting system that exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses accounting codes and a code structure that is specified in the Accounting Code Section of the FASRG as do all Texas public schools.

D. BUDGETARY CONTROL

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FASRG, 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 of expenditures 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 June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 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. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross funds, functions or increase overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level of expenditure and revenue object code.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund, and Child Nutrition Fund. 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, which is consistent with generally accepted accounting principles. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend financial resources. Appropriations lapse on August 31 each fiscal year, and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	August 31, 2026 Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	$ -
Non-appropriated Budget Funds	240,453
All Special Revenue Funds	$240,453

F. INTERFUND ACTIVITY

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

line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

G. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures. Renewals and betterments are capitalized. Interest is not capitalized during the construction period of property, plant and equipment.

Assets capitalized have an original cost of $5,000 and more than a one-year useful life. Depreciation expense has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	10-40 Years
Furniture and Equipment	5-10 Years
Right-to-Use Assets	5 Years

H. COMPENSATED ABSENCES

A liability for compensated absences that employees have earned and carry-forward to future fiscal years has been accrued in the government-wide financial statements in accordance with GASB Statement No. 101, "Compensated Absences," which was effective for fiscal years beginning after December 15, 2023. The measurement of the liability includes salary-related payments that are directly and incrementally associated with the leave (e.g., employer Medicare payroll taxes).

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources are reported in the statement of net position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets by the government that is applicable to a future reporting period. The District has three items that quality for reporting in this category:

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred outflows of resources for pension - Reported in the government-wide statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions after the measurement date is recognized as a reduction of the net pension liability in the next fiscal year. Other pension-related deferred outflows are amortized over the expected remaining service lives of employees (active and inactive employees) provided pension benefits, which is currently 5.6120 years.

Deferred outflows of resources for OPEB - Reported in the government-wide statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB

resulting from District contributions after the measurement date is recognized as a reduction of net OPEB liability in the next fiscal year. Other OPEB-related deferred outflows are amortized over the expected remaining service lives of employees (active and inactive employees) that are provided OPEB benefits, which is currently 9.4638 years.

A *deferred inflow of resources* is an acquisition of a government's net assets by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the *modified* accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reports property taxes that are unavailable as deferred inflows of resources in the fund financial statements.

Deferred inflows of resources for pension - Reported in the government-wide statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts are amortized over a five-year period.

Deferred inflows of resources for OPEB - Reported in the government-wide statement of net position, these deferred inflows result primarily from differences between expected and actual experience and changes in assumptions. These amounts are amortized over the average expected remaining service life (AERSL) of members, which is currently 9.4638 years.

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations pertaining to governmental activities are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are reported as debt service expenditures in the year they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and 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 are reported as debt service expenditures.

K. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2026, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

L. ESTIMATES

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

M. DATA CONTROL CODES

Data Control Codes refer to the account code structure prescribed by the TEA FASRG. TEA requires school districts to display these codes in the financial statements filed with the agency to ensure accuracy in building a statewide data base for policy development and funding plans.

NOTE 2. FUND BALANCE AND NET POSITION

Net position on the government-wide *statement of net position* includes the following categories:

Net Investment in Capital Assets reports the difference between capital assets, net of accumulated depreciation, and the outstanding balance of debt, excluding unspent bond proceeds that is directly attributable to the acquisition, construction or improvement of those capital assets.

Restricted for Federal and State Grant Programs is the component of net position restricted to be spent for specific purposes as prescribed by federal and state granting agencies.

Restricted for Debt Service is the component of net position that is restricted for payment of debt service by constraints established by the bond covenants.

Unrestricted Net Position is the residual difference between assets, deferred outflows, liabilities, and deferred inflows that is not invested in capital assets or restricted for specific purposes.

It is the District's policy to spend funds available from restricted sources prior to unrestricted sources.

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classifications: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

- Restricted: This classification includes amounts for which constraints have been placed on the use of resources including constraints that are (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.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfaction of the contractual requirements.

- Assigned: This classification includes amounts that are constrained by the District's intent to use funds for a specific purpose, but those funds are neither restricted nor committed. This intent can be

expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District's administration. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except the General Fund. The District's Board has no assigned resources as of August 31, 2026.

- Unassigned: This classification includes the General Fund balance not included in other fund balance classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. 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, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions. The details of fund balances included in the Governmental Funds Balance Sheet are described below:

General Fund

The General Fund has unassigned fund balance of $5,309,172 as of August 31, 2026. In addition, the General Fund has assigned fund balances of $6,216,500 for construction.

Other Major Funds

The Debt Service Fund has a restricted fund balance of $2,648,383 as of August 31, 2026, consisting of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has a restricted fund balance of $133,867 as of August 31, 2026, consisting of unspent bond proceeds and investment earnings for capital improvements.

NOTE 3. DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance coverage.

1. Cash Deposits:

   As of August 31, 2026, the carrying amount of the District's deposits in checking accounts and interest-bearing savings accounts was $6,315,748 and the bank balance was $9,437,127. The District's cash deposits as of August 31, 2026, were covered entirely by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Public Funds Investment Act and local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2026, the District's cash balances totaled $6,315,748. This entire amount was either collateralized with securities held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.

b. Custodial Credit Risk - Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of August 31, 2026, the District has investments in public funds investment pools and money market accounts. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The District had $8,621,797 in public funds investment pools.

c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. All investments in bank certificates of deposit are covered by the District's depository pledge. The rating of securities and investment pools by nationally recognized rating agencies is designed to give an indication of credit risk.

d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to less than six months from the time of purchase.

e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. As of August 31, 2026, the District was not exposed to foreign currency risk.

f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirements.

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

Deposits in investment 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.

The District's deposits in investment pools as of August 31, 2026, were as follows:

		Rating	WAM
Texas Class	$5,143,698	AAAm	34 days
LOGIC	442,473	AAAm	40 days
Texas Regional Bank Money Market	3,035,626	A	1 day
Total	$8,621,797		

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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

The District's had no investments requiring fair value measurements as of August 31, 2026.

NOTE 4. CAPITAL ASSETS

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

	9/1/25 Balance	Additions	Disposals / Transfers	8/31/26 Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 947,249			$ 947,249
Construction in progress	7,836		(7,836)	-
Total capital assets not being depreciated	955,085	-	(7,836)	947,249
Capital assets being depreciated:				
Buildings and improvements	35,286,278	4,117,304	7,836	39,411,418
Furniture and equipment	3,065,081	188,893		3,253,974
Right-of-use assets -leased equipment	94,070			94,070
Right-of-use assets -SBITAs	18,847			18,847
Total capital assets not being depreciated	38,464,276	4,306,197	7,836	42,778,309
Less accumulated depreciation for:				
Buildings and improvements	(19,283,349)	(1,154,797)	-	(20,438,146)
Furniture and equipment	(1,825,774)	(269,360)	-	(2,095,134)
Right-of-use assets - leased equipment	(56,467)	(18,814)	-	(75,281)
Right-of-use assets -SBITAs	(7,538)	(3,769)	-	(11,307)
Total accumulated depreciaiton	(21,173,128)	(1,446,740)	-	(22,619,868)
Total capital assets being depreciated, net	17,291,148	2,859,457	7,836	20,158,441
Total capital assets, net	$ 18,246,233	$ 2,859,457	$ -	$ 21,105,690

Depreciation expense was charged as a direct expense to programs of the District as follows:

Governmental activities:	
Instruction	$ 780,334
Instructional resources and media services	2,029
Curriculum and instructional staff developmen	1,637
School leadership	83,390
Guidance, counseling, and evaluation services	24,842
Health services	16,208
Student transportation	50,874
Food services	73,447
Cocurricular/extracurricular activities	48,778
General administration	100,839
Plant maintenance and operations	185,749
Security and monitoring services	69,536
Data processing services	9,075
Total depreciation expense	$ 1,446,740

NOTE 5. LONG-TERM LIABILITIES

All long-term liabilities represent transactions in the District's governmental activities. The following is a summary of changes to the District's Long-term Liabilities for the year ended August 31, 2026:

	Original Issue	Interest Rate	7/1/2025 Balance	Additions	Retired/ Refunded	6/30/2026 Balance	Due Within One Year
Bonded Indebtedness:							
2014A Refunding Bonds	$ 4,839,903	4%	$ 3,195,000	$ -	$ 590,000	$ 2,605,000	$ 615,000
2015 Refunding Bonds	8,191,239	4%	6,640,000		1,180,000	5,460,000	
2016 Refunding Bonds	2,348,999	3% to 4%	1,530,000		170,000	1,360,000	175,000
Total Bonded Indebtedness			11,365,000	-	1,940,000	9,425,000	790,000
Bond Premiums			637,517		80,964	556,553	
Finance Lease			37,981		20,168	17,813	17,813
Compensated Absences			147,671	33,302		180,973	
Net Pension Liability			3,478,845		26,428	3,452,417	
Net OPEB Liability			2,694,004		$ 649,764	2,044,240	
Total Other Long-term Obligations			6,996,018	33,302	777,324	6,251,996	17,813
Total Long-term Obligations			$ 18,361,018	$ 33,302	$ 2,717,324	$ 15,676,996	$ 807,813

Note: The addition to compensated absences is presented as a net change.

The District's general obligation bonds are direct obligations that are secured by the general taxing power of the District. General obligation bonds require the District to compute and levy the rate of tax required to provide funds to pay interest and principal at maturity. The District's finance lease is for copiers.

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

There are limitations and restrictions contained in the general obligation bonds indentures. The District complies with all significant limitations and restrictions as of August 31, 2026.

Net pension and OPEB liabilities are described in Notes 9 and 10, respectively. The accrued liability for compensated absences is described in Note 1.

NOTE 6. DEBT SERVICE REQUIREMENTS

Presented below is a summary of the District's debt service requirements in future years:

General Obligation Bonds	Principal	Interest	Total
2027	$ 790,000	$ 354,675	$ 1,144,675
2028	820,000	324,275	1,144,275
2029	850,000	292,750	1,142,750
2030	885,000	259,950	1,144,950
2031	920,000	224,800	1,144,800
2032-2036	4,000,000	624,800	4,624,800
2037	1,160,000	19,000	1,179,000
	$ 9,425,000	$ 2,100,250	$ 11,525,250

Finance Leases	Principal	Interest	Total
2027	$ 17,813	$ 458	$ 18,271
			-
	$ 17,813	$ 458	$ 18,271

NOTE 7. DEFEASED BONDS OUTSTANDING

In prior years, the District issued refunding bonds to defease certain outstanding bonds for the purposes of debt consolidation and debt service savings. The District has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and liabilities for the defeased debt are not included in the District's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. As of August 31, 2026, all refunded bonds have been redeemed.

NOTE 8. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2025-26 fiscal year was based was $786,528,908. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2026, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $0.7552 and $0.3146 per $100 valuation, respectively, for a total of $1.0698 per $100 valuation.

Current tax collections for the year ended August 31, 2026, were 98.6% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory

authority from the Texas Legislature. As of August 31, 2026, property taxes receivable, net of estimated uncollectible taxes, totaled $129,384 and $52,185 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

NOTE 9. DEFINED BENEFIT PENSION PLAN

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

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

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

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional 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 Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

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

Contribution Rates

Member	8.25%
Non-Employer Contributing Entity (State)	8.25%
Employers	8.25%
Employer Contributions	$ 366,969
Member Contributions	756,938
NECE On-behalf Contributions	554,396

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, 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) are required to pay the employer contribution rate in the following instances:

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

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

- All public schools, charter schools, and regional education service centers must contribute 2.0 percent 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.

Actuarial Assumptions. The total pension liability in the August 31, 2024, 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 Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2024	5.23%
Inflation	2.30%
Salary Increases including inflation	3.20% to 9.20% including inflation
Benefit Changes during the year	None
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 2025 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.

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.

The long-term expected rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2025 (page 56 of the 2025 TRS ACFR) are summarized below:

Table 3.A.1: Asset Allocations

Asset Class	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
All Country	39.00 %	4.14 %	2.18 %
USA	0.00	3.85	0.00
Non-US Developed	5.00	4.60	0.31
Emerging Markets	1.00	4.71	0.07
Private Equity	12.00	6.80	1.19
Stable Value			
Government Bonds - Nominal	10.00	2.59	0.33
Government Bonds - Real	6.00	1.97	0.13
Absolute Return*	0.00	3.91	0.00
Stable Value Hedge Funds	5.00	1.68	0.09
Real Return			
Real Estate	15.00	4.60	0.86
Energy, Natural Resources & Infrastructure	6.00	4.86	0.36
Commodities	0.00	2.96	0.00
Risk Parity	5.00	4.38	0.26
Asset Allocation Leverage			
Cash	2.00	0.51	0.01
Asset Allocation Leverage	(6.00)	0.81	(0.05)
Inflation Expectation			2.30
Volatility Drag****			(0.71)
Expected Return	**100.00 %**		**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.

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 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:	$5,564,044	$3,452,417	$1,694,964

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. On August 31, 2025, the District reported a liability of $3,452,417 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.	$ 3,452,417
State's proportionate share that is associated with District	5,649,177
Total	$ 9,101,594

The net pension liability was measured as of August 31, 2024, and rolled forward to 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, through August 31, 2025.

On August 31, 2025, the employer's proportion of the collective net pension liability was 0.0054845768% which was an increase (decrease) of (3.69%) from its proportion measured as of August 31, 2024.

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.

The amount of pension expense recognized by the District in the reporting period was $474.128. For the year ended August 31, 2025, the District recognized pension expense of $524,450 and revenue of $534,450 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$207136	$ 12,097
Changes in actuarial assumptions	331,094	-
Difference between projected and actual investment earnings	-	156,896
Changes in proportion and difference between employer contributions and the proportionate share of contributions	179,836	95,332
Contributions paid to TRS subsequent to the measurement date of the net pension liability	366,969	-
Total	$1,085,035	$ 264,325

The District recognized $366,969 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2026. The other amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year ended August 31	Pension Expense Amount
2026	$418,604
2027	70,730
2028	(72,559)
2029	10,758
2030	26,208
Thereafter	-

NOTE 10. DEFINED OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN

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 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.

OPEB Plan Fiduciary Net Position. Detail information about 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.

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

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

The 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:

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

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 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2025. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding Remitted by Employers	1.25%
Employer Contributions	$ 82,756
Member Contributions	59,636
NECE On-behalf Contributions	230,255

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.

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. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2024, TRS pension actuarial valuation that was rolled forward to August 31, 2025.

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

projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2024, rolled forward to August 31, 2025
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	5.23%
Aging Factors	Based on a Society of Actuaries' 2013 Study
Expenses	Third-party administrative expenses related to the delivery of Healthcare benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.20% to 9.20% including inflation
Healthcare Trend Rates	4.25% over 14 years
Election Rates	25% participation rate after age 65; 62% prior to age 65

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. 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.

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 (x%) 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:	$2,400,746	$2,044,420	$1,750,454

Healthcare 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 in Healthcare Trend Rate	Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of the net OPEB liability:	$1,690,299	$2,044,420	$2,493,641

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. On August 31, 2025, the District reported a liability of $2,044,420 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	$2,044,240
State's proportionate share that is associated with District	4,146,619
Total	$6,190,859

The net OPEB liability was measured as of August 31, 2024, and rolled forward to 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, through August 31, 2025.

On August 31, 2025, the employer's proportion of the collective net OPEB liability was .0082008125%, which was an increase (decrease) of (7.61%) 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.

The amount of OPEB expense recognized by the District in the reporting period was ($73,340).

For the year ended August 31, 2025, the District recognized OPEB expense of $313,365 and revenue of $313,365 for support provided by the State.

On August 31, 2025, 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 economic experience	$399,933	$1,217,452
Changes in actuarial assumptions	252,788	839,624
Difference between projected and actual investment earnings	-	12,573
Changes in proportion and difference between employer contributions and the proportionate share of contributions	617,129	278,002
Contributions paid to TRS subsequent to the measurement date of the net pension liability	82,756	n/a
Total	$1,352,606	$2,347,651

The District recognized $82,756 as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2026. The other amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Year ended August 31	OPEB Expense Amount
2026	($166,446)
2027	(228,090)
2028	(185,442)
2029	(163,171)
2030	(162,690)
Thereafter	(174,972)

NOTE 11. 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 D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended August 31, 2026, the contribution made on behalf of the District was $75,832.

NOTE 12. HEALTH CARE

During the year ended August 31, 2026, employees of the District were covered by the TRS-Active Care health insurance plan (the Plan). The District contributed a board-specified amount per employee per month ($360 per month) to the Plan, and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a self-funded pool. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

Financial statements for the Plan are available from the Texas State Board of Insurance, Austin, Texas.

NOTE 13. CONTINGENCIES

Minimum foundation funding received from the Texas Education Agency is based primarily upon information concerning average daily attendance at the District's schools, which is compiled by the District and supplied to the Agency. Federal funding for food services under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the USDA. Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to grantor agencies.

The programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

NOTE 14. SHARED SERVICES ARRANGEMENT

The District participates in a shared services arrangement for special education with the following school districts:

Brock ISD
Garner ISD
Peaster ISD
Poolville ISD

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

NOTE 15. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements.

The District exceeded its food service fund budget in one functional expenditure category: food services by $10,137.

NOTE 16. INTERFUND BALANCES AND TRANSFERS

Interfund balances as of August 31, 2026, consist of the following amounts:

Fund	Due from Other Funds	Due to Other Funds
General Fund:		
Special Revenue Funds	$ 727,090	$ 180,861
Special Revenue Fund:		
General Fund	180,861	727,090
Total	$ 907,951	$ 907,951

All interfund balances represent transactions between the General Fund and Special Revenue Funds. Special Revenue Funds owed the General Fund for grant expenditures financed with General Fund cash prior to receiving reimbursements from federal or state agencies. The General Fund owed funds to the Child Nutrition Fund to eliminate operating deficits in those funds.

Interfund transfers for the year ended August 31, 2026, consisted of the following amounts:

Fund	Transfers Out	Transfers In
General Fund	$680,861	$ -
Special Revenue Funds:		
Child Nutrition Fund		180,861
Capital Projects Fund	-	500,000
Total	$680,861	$680,861

Transfers were made from the General Fund to the Capital Projects Fund and the Child Nutrition for capital projects and to subsidize food service operations, respectively

NOTE 17. TAX ABATEMENTS

In accordance with GASB Statement No. 77, the District did not have any outstanding tax abatements for the year ended August 31, 2026.

NOTE 18. SUBSEQUENT EVENTS

The District evaluated subsequent events through October 20, 2026, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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EXHIBIT G-1

MILLSAP INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
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 Amounts, GAAP Basis	Variance with Final Budget - Over (Under) Actual Amounts
	REVENUES:					
5700	Total Local and Intermediate Sources	$ 6,441,173	$ 6,312,646	$ (128,527)	$ 6,713,694	$ 401,048
5800	State Program Revenues	8,587,106	8,740,530	153,424	8,791,264	50,734
5900	Federal Program Revenues	37,565	37,565	-	34,290	(3,275)
5020	Total Revenues	15,065,844	15,090,741	24,897	15,539,248	448,507
	EXPENDITURES:					
	Current:					
0011	Instruction	8,761,637	8,868,585	(106,948)	8,220,102	648,483
0012	Instructional Resources and Media Services	40,973	40,973	-	21,606	19,367
0013	Curriculum and Instructional Staff Development	135,838	150,000	(14,162)	21,592	128,408
0023	School Leadership	934,583	1,086,750	(152,167)	974,019	112,731
0031	Guidance, Counseling, and Evaluation Services	321,790	329,040	(7,250)	243,340	85,700
0033	Health Services	115,291	177,500	(62,209)	175,179	2,321
0034	Student (Pupil) Transportation	550,909	749,500	(198,591)	747,305	2,195
0035	Food Services	14,300	14,300	-	14,240	60
0036	Extracurricular Activities	606,058	606,058	-	589,072	16,986
0041	General Administration	879,433	1,048,100	(168,667)	1,041,216	6,884
0051	Facilities Maintenance and Operations	1,877,101	2,062,000	(184,899)	2,054,634	7,366
0052	Security and Monitoring Services	104,676	140,000	(35,324)	125,273	14,727
0053	Data Processing Services	250,000	255,000	(5,000)	147,862	107,138
0061	Community Services	170	-	170	-	-
	Debt Service:					
0071	Principal on Long-Term Liabilities	18,000	22,000	(4,000)	20,158	1,842
0072	Interest on Long-Term Liabilities	4,000	4,000	-	1,822	2,178
	Capital Outlay:					
0081	Facilities Acquisition and Construction	-	211,500	(211,500)	207,487	4,013
	Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	303,695	305,695	(2,000)	304,727	968
0099	Other Intergovernmental Charges	158,490	158,490	-	104,356	54,134
6030	Total Expenditures	15,076,944	16,229,491	(1,152,547)	15,013,990	1,215,501
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,100)	(1,138,750)	(1,127,650)	525,258	1,664,008
	OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	-	-	(680,861)	(680,861)
1200	Net Change in Fund Balances	(11,100)	(1,138,750)	(1,127,650)	(155,603)	983,147
0100	Fund Balance - September 1 (Beginning)	11,707,317	11,707,317	-	11,707,317	-
3000	Fund Balance - August 31 (Ending)	$ 11,696,217	$ 10,568,567	$ (1,127,650)	$ 11,551,714	$ 983,147

MILLSAP INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2026

	FY 2026 Plan Year 2025	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023
District's Proportion of the Net Pension Liability (Asset)	0.005485%	0.005695%	0.005438%
District's Proportionate Share of Net Pension Liability (Asset)	$ 3,452,417	$ 3,478,845	$ 3,722,758
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	5,649,177	5,577,797	6,770,004
Total	$ 9,101,594	$ 9,056,642	$ 10,492,762
District's Covered Payroll	$ 8,329,196	$ 8,313,268	$ 8,258,784
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	41.45%	41.85%	45.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.24%	77.51%	73.15%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement date. For example, the amounts for FY 2026 are for the measurement date of August 31, 2025, etc.

FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
0.005332%	0.005482%	0.005383%	0.004472%	0.004321%	0.004351%	0.005462%
$ 3,163,664	$ 1,271,732	$ 2,625,854	$ 2,171,617	$ 2,375,449	$ 1,293,954	$ 1,703,630
6,069,086	2,728,880	5,553,342	5,049,813	5,343,967	3,167,018	3,687,620
$ 9,232,750	$ 4,000,612	$ 8,179,196	$ 7,221,430	$ 7,719,416	$ 4,460,972	$ 5,391,250
$ 7,865,426	$ 7,460,251	$ 7,138,534	$ 6,119,264	$ 5,894,096	$ 5,607,135	$ 5,511,808
40.22%	17.05%	36.78%	35.49%	40.30%	23.08%	30.91%
75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%

MILLSAP INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2026

	2026	2025	2024
Contractually Required Contribution	$ 366,969	$ 325,480	$ 320,893
Contribution in Relation to the Contractually Required Contribution	(366,969)	(325,480)	(320,893)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 9,175,007	$ 8,193,018	$ 8,313,268
Contributions as a Percentage of Covered Payroll	4.00%	3.97%	3.86%

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

2023	2022	2021	2020	2019	2018	2017
$ 278,304	$ 248,679	$ 213,136	$ 202,292	$ 146,219	$ 145,384	$ 57,663
(278,304)	(248,679)	(213,136)	(202,292)	(146,219)	(145,384)	(57,663)
$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 8,258,784	$ 7,865,426	$ 7,460,251	$ 7,138,534	$ 6,119,264	$ 5,894,096	$ 5,607,135
3.37%	3.16%	2.86%	2.83%	2.39%	2.47%	1.03%

MILLSAP INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2026

	FY 2026 Plan Year 2025	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.008201%	0.008876%	0.008875%
District's Proportionate Share of Net OPEB Liability (Asset)	$ 2,044,240	$ 2,694,004	$ 1,885,422
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	4,146,619	3,375,550	2,275,051
Total	$ 6,190,859	$ 6,069,554	$ 4,160,473
District's Covered Payroll	$ 8,329,196	$ 8,313,268	$ 8,258,784
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	24.54%	32.41%	22.83%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18.26%	13.70%	14.94%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. For example, the amounts for FY 2026 are for the measurement date of August 31, 2025, etc.

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

FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
0.009241%	0.008963%	0.008673%	0.007218%	0.006873%	0.006321%
$ 2,040,110	$ 3,184,061	$ 3,039,531	$ 3,191,605	$ 3,320,153	$ 2,694,987
2,488,613	4,265,932	4,084,401	4,240,927	5,222,269	4,549,552
$ 4,528,723	$ 7,449,993	$ 7,123,932	$ 7,432,532	$ 8,542,422	$ 7,244,539
$ 7,865,426	$ 7,460,251	$ 7,138,534	$ 6,119,264	$ 5,894,096	$ 5,607,135
25.94%	42.68%	42.58%	52.16%	56.33%	48.06%
11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

MILLSAP INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2026

	2026	2025	2024
Contractually Required Contribution	$ 82,756	$ 75,490	$ 80,622
Contribution in Relation to the Contractually Required Contribution	(82,756)	(75,490)	(80,622)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 9,175,007	$ 8,193,018	$ 8,313,268
Contributions as a Percentage of Covered Payroll	0.90%	0.92%	0.97%

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

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

2023	2022	2021	2020	2019	2018
$ 67,996	$ 64,674	$ 59,176	$ 56,009	$ 47,898	$ 45,871
(67,996)	(64,674)	(59,176)	(56,009)	(47,898)	(45,871)
$ -	$ -	$ -	$ -	$ -	$ -
$ 8,258,784	$ 7,865,426	$ 7,460,251	$ 7,138,534	$ 6,119,264	$ 5,894,096
0.82%	0.82%	0.79%	0.78%	0.78%	0.78%

MILLSAP ISD INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2026

BUDGET TO ACTUAL COMPARISONS

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund, and Child Nutrition Fund. 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, which is consistent with generally accepted accounting principles. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements.

Variances between the original budget and the final budget were caused primarily by the uncertainly of state appropriations when the original budget was prepared and later by the eventual appropriation of additional state funding for teacher salaries.

Variances between the final budget and actual results were caused primarily by vacancies in unfilled positions.

The District exceeded its food service fund budget in one functional expenditure category: food services by $10,137.

PENSION LIABILITY

Changes of benefit terms:

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

Changes of assumptions:

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.

OPEB LIABILITY

Changes of benefit terms:

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

Changes of assumptions:

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

- The discount rate changed from 3.87 percent as of August 31, 2024, to 5.23 percent as of August 31, 2025.
- Since the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate.
- 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.

COMBINING SCHEDULES

MILLSAP INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2026

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	289 Other Federal Special Revenue Funds
	ASSETS				
1110	Cash and Cash Equivalents	$ 55,038	$ -	$ -	$ -
1240	Due from Other Governments	52,589	26,398	23,801	23,849
1260	Due from Other Funds	-	180,861	-	-
1000	Total Assets	$ 107,627	$ 207,259	$ 23,801	$ 23,849
	LIABILITIES				
2110	Accounts Payable	$ -	$ 7,928	$ -	$ -
2160	Accrued Wages Payable	4,025	6,845	-	-
2170	Due to Other Funds	92,734	191,852	23,801	23,849
2200	Accrued Expenditures	10,868	634	-	-
2000	Total Liabilities	107,627	207,259	23,801	23,849
	FUND BALANCES				
	Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	$ 107,627	$ 207,259	$ 23,801	$ 23,849

397 Advanced Placement Incentives	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	491 Millsap Education Foundation	Total Nonmajor Governmental Funds
$ 204	$ 191	$ 364,659	$ 239,345	$ 7,653	$ 667,090
-	-	29,800	-	-	156,437
-	-	-	-	-	180,861
$ 204	$ 191	$ 394,459	$ 239,345	$ 7,653	$ 1,004,388
$ -	$ -	$ -	$ 6,545	$ -	$ 14,473
-	-	-	-	-	10,870
204	191	394,459	-	-	727,090
-	-	-	-	-	11,502
204	191	394,459	6,545	-	763,935
-	-	-	232,800	7,653	240,453
-	-	-	232,800	7,653	240,453
$ 204	$ 191	$ 394,459	$ 239,345	$ 7,653	$ 1,004,388

MILLSAP INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2026

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	289 Other Federal Special Revenue Funds
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ 308,862	$ -	$ -
5800	State Program Revenues	-	13,714	-	-
5900	Federal Program Revenues	184,677	362,659	32,426	35,252
5020	Total Revenues	184,677	685,235	32,426	35,252
	EXPENDITURES:				
	Current:				
0011	Instruction	174,787	-	1,175	35,252
0013	Curriculum and Instructional Staff Development	9,890	-	31,251	-
0035	Food Services	-	786,036	-	-
0036	Extracurricular Activities	-	-	-	-
0051	Facilities Maintenance and Operations	-	85,570	-	-
6030	Total Expenditures	184,677	871,606	32,426	35,252
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(186,371)	-	-
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	180,861	-	-
1200	Net Change in Fund Balance	-	(5,510)	-	-
0100	Fund Balance - September 1 (Beginning)	-	5,510	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ -

397 Advanced Placement Incentives	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	491 Millsap Education Foundation	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ 479,992	$ 13,292	$ 802,146
-	4,118	30,800	-	-	48,632
-	-	-	-	-	615,014
-	4,118	30,800	479,992	13,292	1,465,792
-	4,118	30,800	233,018	8,220	487,370
-	-	-	-	-	41,141
-	-	-	-	-	786,036
-	-	-	234,828	-	234,828
-	-	-	-	-	85,570
-	4,118	30,800	467,846	8,220	1,634,945
-	-	-	12,146	5,072	(169,153)
-	-	-	-	-	180,861
-	-	-	12,146	5,072	11,708
-	-	-	220,654	2,581	228,745
$ -	$ -	$ -	$ 232,800	$ 7,653	$ 240,453

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REQUIRED T.E.A. SCHEDULES

MILLSAP INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2026

Last 10 Years Ended August 31		(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2017	and prior years	Various	Various	$ Various
2018		1.170000	0.495000	336,711,202
2019		1.170000	0.422200	393,152,766
2020		1.068350	0.402200	458,019,721
2021		1.054700	0.334600	428,325,592
2022		0.960300	0.314600	533,062,044
2023		0.942900	0.314600	587,922,704
2024		0.757500	0.314600	676,420,856
2025		0.755200	0.314600	737,583,754
2026		0.755200	0.314600	786,528,908
1000	Totals for Fiscal Year Ending August 31, 2026			
8000	Total Taxes Refunded Under Section 26.1115, Tax Code			

(10) Beginning Balance 9/1/25	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/26	(99) Taxes Refunded Under Section 26.1115c
$ 50,937	$	$ 224	$ 95	$ (129)	$ 50,489	
7,819		-	-	(21)	7,798	
8,103		15	6	(7)	8,075	
7,923		27	10	(30)	7,856	
9,090		771	244	(29)	8,046	
10,095		602	197	(37)	9,259	
23,366		9,240	3,083	3,233	14,276	
37,313		13,444	5,583	7,459	25,745	
116,497		51,889	21,616	(8,245)	34,747	
	8,019,324	5,538,328	2,307,148	(63,492)	110,356	
$ 271,143	$ 8,019,324	$ 5,614,540	$ 2,337,982	$ (61,298)	$ 276,647	
						$ 6,892

MILLSAP INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
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 Amounts, GAAP Basis	Variance with Final Budget - Over (Under) Actual Amounts
	REVENUES:					
5700	Total Local and Intermediate Sources	$ 308,500	$ 308,500	$ -	$ 308,862	$ 362
5800	State Program Revenues	15,321	15,321	-	13,714	(1,607)
5900	Federal Program Revenues	370,354	370,354	-	362,659	(7,695)
5020	Total Revenues	694,175	694,175	-	685,235	(8,940)
	EXPENDITURES:					
	Current:					
0035	Food Services	741,399	775,900	(34,501)	786,036	(10,136)
0051	Facilities Maintenance and Operations	-	85,601	(85,601)	85,570	31
6030	Total Expenditures	741,399	861,501	(120,102)	871,606	(10,105)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(47,224)	(167,326)	(120,102)	(186,371)	(19,045)
	OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	180,861	180,861
1200	Net Change in Fund Balances	(47,224)	(167,326)	(120,102)	(5,510)	161,816
0100	Fund Balance - September 1 (Beginning)	5,510	5,510	-	5,510	-
3000	Fund Balance - August 31 (Ending)	$ (41,714)	$ (161,816)	$ (120,102)	$ -	$ 161,816

MILLSAP INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2026

Data Control Codes		Budgeted Amounts		Variance with Original Budget - Over (Under) Final Budget	Actual Amounts, GAAP Basis	Variance with Final Budget - Over (Under) Actual Amounts
		Original	Final			
	REVENUES:					
5700	Total Local and Intermediate Sources	$ 2,478,535	$ 2,478,535	$ -	$ 2,487,820	$ 9,285
5800	State Program Revenues	183,500	183,500	-	184,662	1,162
5020	Total Revenues	2,662,035	2,662,035	-	2,672,482	10,447
	EXPENDITURES:					
	Debt Service:					
0071	Principal on Long-Term Liabilities	1,940,000	1,940,000	-	1,940,000	-
0072	Interest on Long-Term Liabilities	430,558	430,558	-	430,558	-
0073	Bond Issuance Cost and Fees	14,050	14,050	-	14,050	-
6030	Total Expenditures	2,384,608	2,384,608	-	2,384,608	-
1200	Net Change in Fund Balances	277,427	277,427	-	287,874	10,447
0100	Fund Balance - September 1 (Beginning)	2,360,509	2,360,509	-	2,360,509	-
3000	Fund Balance - August 31 (Ending)	$ 2,637,936	$ 2,637,936	$ -	$ 2,648,383	$ 10,447

MILLSAP INDEPENDENT SCHOOL DISTRICT
BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2026

Data Codes		Responses
	Bilingual Education Allotment Programs	
AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	$20,146
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PIC 25)	$14,827

Members:
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

HANKINS, EASTUP, DEATON, TONN, SEAY & SCARBOROUGH
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CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brock Independent School District (the "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, and have issued our report dated October 20, 2026.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 determination of financial statement amounts. 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hankins Eastup Deaton Tonn Seay & Scarborough

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

October 20, 2026