

Millsap Independent School District

Annual Financial Report

For the Year Ended August 31, 2025

Introductory Section

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

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CERTIFICATE OF BOARD

Millsap Independent School District
Name of School District

Parker
County

184-904
Co. Dist. Number

We, the undersigned, certify that the attached financial reports of the above named school district
were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2025,
at a meeting of the board of trustees of such school district on the 19th day of January, 2026.



Signature of Board Secretary



Signature of Board President

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

Financial Section



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees
Millsap Independent School District
201 E. Brazos Street
Millsap, Texas 76066

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Millsap Independent School District as of August 31, 2025, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As described in Note A to the financial statements, in Fiscal Year 2025, Millsap Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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 Millsap Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2026, on our consideration of Millsap Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Millsap Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Millsap Independent School District's internal control over financial reporting and compliance.



Snow Garrett Williams
January 16, 2026

Management's Discussion and Analysis (Unaudited)

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2025. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The liabilities and deferred inflows of the District exceeded its assets and deferred outflows at the close of the most recent period by \$15,664,189 (*net position*). Of this amount, \$6,171,095 is unrestricted net position.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$14,296,571. Approximately 38% of this total amount, \$5,405,175, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,405,175, or 40% of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 *statement of net position* presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two 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.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no component units for which it is financially accountable. The government-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is 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 ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be 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 may better understand the long-term impact of the 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 this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 16-19 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position that can be found on pages 20-21.
- **Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-44 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 46-52 of this report.



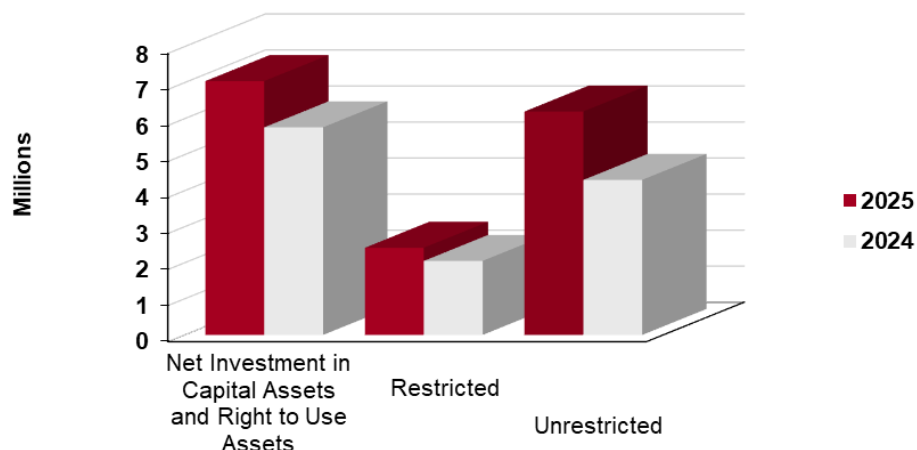
Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental assets and deferred outflows exceeded liabilities and deferred inflows by \$15,664,189 as of August 31, 2025.

The District's Net Position-Governmental Activities

	August 31, 2025	August 31, 2024
Current assets	\$ 15,994,756	\$ 14,460,993
Capital assets	18,246,233	18,656,615
Total assets	<u>34,240,989</u>	<u>33,117,608</u>
Deferred outflows of resources		
Deferred loss on refunding	868,416	944,836
Deferred outflows related to pensions	1,013,209	1,623,365
Deferred outflows related to OPEB	1,731,090	1,215,181
Total deferred outflows of resources	<u>3,612,715</u>	<u>3,783,382</u>
Current liabilities	1,541,564	2,323,229
Long-term liabilities outstanding	18,361,018	19,576,075
Total liabilities	<u>19,902,582</u>	<u>21,899,304</u>
Deferred inflows of resources		
Deferred inflows related to pensions	54,217	142,440
Deferred inflows related to OPEB	2,232,716	2,742,650
Total deferred inflows of resources	<u>2,286,933</u>	<u>2,885,090</u>
Net position:		
Net investment in capital assets	7,074,151	5,761,052
Restricted	2,418,943	2,053,703
Unrestricted	6,171,095	4,301,841
Total net position	<u>\$ 15,664,189</u>	<u>\$ 12,116,596</u>

Net Position as of 8/31/2025

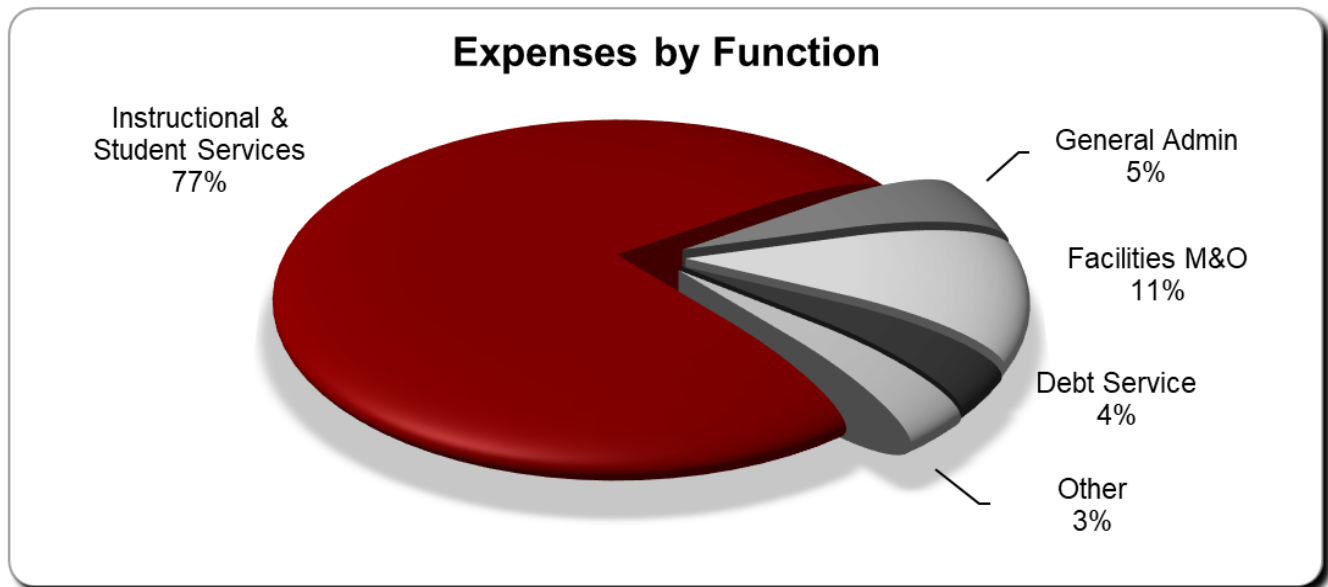


Net investment in capital assets (e.g., land, buildings, furniture and equipment, and right to use assets) is \$7,074,151. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position \$2,418,943 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is \$6,171,095. This surplus is not an indication the District has significant assets that are available to meet financial obligations next year, but rather the result of having currently available resources that exceed commitments.

Governmental activities. The District's total governmental activities net position increased \$3,657,194 during the current year. The total cost of all *governmental activities* this year was \$15,942,204. The amount that our taxpayers paid for these activities through property taxes was \$7,788,010 or 49%. The District determined that certain receivables recorded in the general fund for the prior year were overstated. This resulted in a decrease of \$109,601 to beginning net position. Additional information on this adjustment is located in Note M on page 45 of this report.

Changes in the District's Net Position - Governmental Activities

	Fiscal Year August 31, 2025	Fiscal Year August 31, 2024
Revenues:		
Program revenues		
Charges for services	\$ 624,754	\$ 518,057
Operating grants and contributions	1,690,644	2,045,931
General revenues		
Property taxes	7,788,010	7,154,747
State grants	7,994,826	7,955,091
Other	1,501,164	1,976,917
Total revenues	<u>19,599,398</u>	<u>19,650,743</u>
Expenses:		
Instruction	8,174,674	8,570,298
Instructional resources and media services	22,169	16,777
Curriculum and staff development	25,447	144,787
School leadership	893,990	852,866
Guidance, counseling & evaluation services	263,994	350,788
Health services	171,834	191,483
Student transportation	550,479	631,661
Food service	772,216	774,226
Cocurricular/extracurricular activities	795,365	781,785
General administration	1,092,414	868,281
Facilities maintenance and operations	1,946,329	1,779,544
Security and monitoring services	201,284	117,332
Data processing	103,316	66,352
Interest on long-term debt	493,884	584,145
Bond issuance costs and fees	5,600	9,967
Capital outlay	3,371	1,100
Payments related to shared service arrangements	280,281	234,213
Other intergovernmental charges	145,557	113,820
Total expenses	<u>15,942,204</u>	<u>16,089,425</u>
Increase (decrease) in net position	3,657,194	3,561,318
Beginning net position	12,116,596	8,555,278
Prior period adjustment	(109,601)	-
Ending net position	<u>\$ 15,664,189</u>	<u>\$ 12,116,596</u>



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$14,296,571 an increase of \$2,411,853. Approximately 38% of this total amount, or \$5,405,175, constitutes *unassigned fund balance*. Nonspendable fund balance exists for prepaid items (\$12,859). The remainder of the fund balance is *restricted or committed* to indicate that it is not available for new spending and has already been *restricted* to pay (1) for federal/state funds grant restrictions (\$8,295) and (2) for retirement of long-term debt (\$2,360,509), *committed* for (1) construction (\$6,216,500) and for (2) other commitments (\$293,233).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,405,175, out of a total fund balance of \$11,707,317. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 40% of the total general fund expenditures. Total general fund balance represents 86% of the total general fund expenditures.

The debt service fund has a total fund balance of \$2,360,509, all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$384,918.

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved several revisions to budgeted revenue and appropriations. These amendments fall into the following categories:

- Donations to reimburse the district due to the replacement of the track and turf
- Transportation purchased white fleet vehicles
- General Administration saw an increase in contracted services.
- Facilities had increased utility costs
- Security and Monitoring for purchase of new camera system
- Instruction renovated the Green house with Career and Technical Education funds.

The following are significant variations between the final budget and actual amounts for the general fund:

- Actual revenues were higher than budgeted by \$1,307,176, primarily related to a higher than anticipated state program and donation revenues; and
- Actual expenditures were lower than budgeted by \$327,197, primarily due to decreases within facilities maintenance and operations, student transportation, and curriculum and instructional staff development.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of August 31, 2025, amounts to \$18,246,233 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, furniture and equipment, and right of use assets.

Major capital asset events during the year included adding a security vestibule at the high school, a greenhouse for the career and technology program, and HVAC upgrades.

District's Capital Assets (Net of Depreciation/Amortization)

	August 31, 2025	August 31, 2024
Land	\$ 947,249	\$ 947,249
Construction in progress	7,836	-
Buildings and improvements	16,002,929	16,504,720
Furniture and equipment	1,239,307	1,133,417
Right to use assets	48,912	71,229
Total at historical cost	<u>\$ 18,246,233</u>	<u>\$ 18,656,615</u>

Additional information on the District's capital assets can be found in Note C on page 30 of this report.

Long-term Debt. As of August 31, 2025, the District had total long-term debt outstanding of \$18.3 million. The District's long-term liabilities decreased by \$1.2 million (6.2%) from the prior year, primarily due to scheduled principal payments.

	August 31 2025	August 31 2024	Change
Governmental Activities:			
General Obligation Bonds	\$ 11,365,000	\$ 13,065,000	\$(1,700,000)
Premium on Bonds	637,517	718,481	(80,964)
Net Pension Liability	3,478,845	3,722,758	(243,913)
Net OPEB Liability	2,694,004	1,885,422	808,582
Lease Liability	37,981	56,918	(18,937)
Compensated Absences	147,671	127,496	20,175
Total governmental activities	<u>\$ 18,361,018</u>	<u>\$ 19,576,075</u>	<u>\$(1,215,057)</u>

Additional information on the District's long-term debt can be found in Note E on pages 31 - 32 of this report.

Economic Factors and Next Year's Budgets and Rates

- Appraised taxable value used for the 2025-2026 budget preparation was \$712 million, an increase of \$21 million or 3.03%, over last year's appraised taxable values.
- Budgeted spending per student in the general fund is \$15,047 for the 2025-2026 budget, an increase of 1,313 per student from the 2024-2025 actual amount of \$13,734.
- The District's 2025-2026 refined average daily attendance was budgeted at 1000 which is 5 above the final ADA for the 2024-2025 fiscal year.
- The District has appropriated revenues and expenditures in the 2025-2026 budgets of \$15,059,644 and \$15,059,644, respectively in its general fund.

Requests for Information

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



Basic Financial Statements

MILLSAP INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2025

Exhibit A-1

Data Control Codes		1		Governmental Activities	
ASSETS:					
1110	Cash and Cash Equivalents	\$		6,264,984	
1120	Current Investments			8,282,246	
1225	Property Taxes Receivable (Net)			176,065	
1240	Due from Other Governments			1,258,602	
1410	Unrealized Expenditures			12,859	
Capital Assets:					
1510	Land			947,249	
1520	Buildings and Improvements (Net)			16,002,929	
1530	Furniture and Equipment (Net)			1,239,307	
1550	Right to Use Assets (Net)			48,912	
1580	Construction in Progress			7,836	
1000	Total Assets			34,240,989	
DEFERRED OUTFLOWS OF RESOURCES:					
	Deferred Loss on Refunding			868,416	
	Deferred Outflow Related to Pensions			1,013,209	
	Deferred Outflow Related to OPEB			1,731,090	
1700	Total Deferred Outflows of Resources			3,612,715	
LIABILITIES:					
2110	Accounts Payable			169,721	
2140	Interest Payable			19,444	
2165	Accrued Liabilities			934,622	
2300	Unearned Revenue			417,777	
Noncurrent Liabilities					
2501	Due Within One Year			780,168	
2502	Due in More Than One Year			11,408,001	
2540	Net Pension Liability			3,478,845	
2545	Net OPEB Liability			2,694,004	
2000	Total Liabilities			19,902,582	
DEFERRED INFLOWS OF RESOURCES:					
	Deferred Inflow Related to Pensions			54,217	
	Deferred Inflow Related to OPEB			2,232,716	
2600	Total Deferred Inflows of Resources			2,286,933	
NET POSITION					
3200	Net Investment in Capital Assets			7,074,151	
Restricted For:					
3820	Federal and State Programs			8,295	
3850	Debt Service			2,410,648	
3900	Unrestricted			6,171,095	
3000	Total Net Position	\$		15,664,189	

MILLSAP INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 8,174,674	\$ 41,569	\$ 427,098	\$ (7,706,007)
12	Instructional Resources and Media Services	22,169	113	1,077	(20,979)
13	Curriculum and Staff Development	25,447	107	5,882	(19,458)
23	School Leadership	893,990	4,680	17,859	(871,451)
31	Guidance, Counseling, and Evaluation Services	263,994	1,394	2,552	(260,048)
33	Health Services	171,834	912	661	(170,261)
34	Student Transportation	550,479	3,019	12,136	(535,324)
35	Food Service	772,216	240,108	465,567	(66,541)
36	Cocurricular/Extracurricular Activities	795,365	284,451	17,900	(493,014)
41	General Administration	1,092,414	5,677	31,836	(1,054,901)
51	Facilities Maintenance and Operations	1,946,329	38,603	118,162	(1,789,564)
52	Security and Monitoring Services	201,284	1,889	370,908	171,513
53	Data Processing Services	103,316	540	2,865	(99,911)
72	Interest on Long-term Debt	493,884	122	201,205	(292,557)
73	Bond Issuance Costs and Fees	5,600	-	-	(5,600)
81	Capital Outlay	3,371	19	177	(3,175)
93	Payments to Shared Services Arrangements	280,281	1,552	14,758	(263,971)
99	Other Intergovernmental Charges	145,557	-	-	(145,557)
TG	Total Governmental Activities	<u>15,942,204</u>	<u>624,755</u>	<u>1,690,643</u>	<u>(13,626,806)</u>
TP	Total Primary Government	<u>\$ 15,942,204</u>	<u>\$ 624,755</u>	<u>\$ 1,690,643</u>	<u>(13,626,806)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				5,498,206
DT	Property Taxes, Levied for Debt Service				2,289,804
IE	Investment Earnings				656,331
SF	State Aid-Formula Grants				7,994,826
MI	Miscellaneous				844,833
TR	Total General Revenues				<u>17,284,000</u>
CN	Change in Net Position				3,657,194
NB	Net Position - Beginning				12,116,596
	Prior Period Adjustment				(109,601)
	Net Position, Beginning, As Restated				<u>12,006,995</u>
NE	Net Position - Ending				<u>\$ 15,664,189</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2025

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:					
1110	Cash and Cash Equivalents	\$ 4,534,337	\$ 1,432,476	\$ 298,171	\$ 6,264,984
1120	Current Investments	7,361,011	921,235	-	8,282,246
1225	Taxes Receivable	193,551	77,592	-	271,143
1230	Allowance for Uncollectible Taxes (Credit)	(67,625)	(27,453)	-	(95,078)
1240	Due from Other Governments	972,789	6,798	279,015	1,258,602
1260	Due from Other Funds	297,978	-	-	297,978
1410	Unrealized Expenditures	12,859	-	-	12,859
1000	Total Assets	<u>\$ 13,304,900</u>	<u>\$ 2,410,648</u>	<u>\$ 577,186</u>	<u>\$ 16,292,734</u>
LIABILITIES:					
2110	Accounts Payable	\$ 134,494	\$ -	\$ 35,227	\$ 169,721
2150	Payroll Deductions and Withholdings	99,702	-	-	99,702
2160	Accrued Wages Payable	800,950	-	12,719	813,669
2170	Due to Other Funds	-	-	297,978	297,978
2200	Accrued Expenditures	18,925	-	2,326	21,251
2300	Unearned Revenue	417,586	-	191	417,777
2000	Total Liabilities	<u>1,471,657</u>	<u>-</u>	<u>348,441</u>	<u>1,820,098</u>
DEFERRED INFLOWS OF RESOURCES:					
	Property Taxes	125,926	50,139	-	176,065
2600	Total Deferred Inflows of Resources	<u>125,926</u>	<u>50,139</u>	<u>-</u>	<u>176,065</u>
FUND BALANCES:					
Nonspendable:					
3430	Prepaid Items	12,859	-	-	12,859
Restricted:					
3450	Federal/State Funds Grant Restrictions	-	-	8,295	8,295
3480	Retirement of Long-Term Debt	-	2,360,509	-	2,360,509
Committed:					
3510	Construction	6,216,500	-	-	6,216,500
3545	Other Committed	72,783	-	220,450	293,233
3600	Unassigned	5,405,175	-	-	5,405,175
3000	Total Fund Balances	<u>11,707,317</u>	<u>2,360,509</u>	<u>228,745</u>	<u>14,296,571</u>
4000	Total Liabilities and Fund Balances	<u>\$ 13,304,900</u>	<u>\$ 2,410,648</u>	<u>\$ 577,186</u>	<u>\$ 16,292,734</u>

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

Exhibit C-1R

Total fund balances - governmental funds balance sheet	\$ 14,296,571
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	176,065
Capital assets used in governmental activities are not reported in the funds.	18,246,233
Payables for compensated absences which are not due in the current period are not reported in the funds.	(147,671)
Deferred resource outflows related to the pension plan are not reported in the funds.	1,013,209
Deferred resource outflows related to the OPEB plan are not reported in the funds.	1,731,090
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(3,478,845)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(2,694,004)
Deferred resource inflows related to the pension plan are not reported in the funds.	(54,217)
Deferred resource inflows related to the OPEB plan are not reported in the funds.	(2,232,716)
Deferred loss on refunding bonds is not reported in the funds.	868,416
Payables for bond principal which are not due in the current period are not reported in the funds.	(11,365,000)
Payables for right-to-use leases which are not due in the current period are not reported in the funds.	(37,981)
Payables for bond interest which are not due in the current period are not reported in the funds.	(19,444)
Premiums on bonds which are not due and payable in the current period are not reported in the funds.	(637,517)
Net position of governmental activities - Statement of Net Position	<u>\$ 15,664,189</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT
Exhibit C-2

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

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:					
5700	Local and Intermediate Sources	\$ 6,943,890	\$ 2,390,071	\$ 566,053	\$ 9,900,014
5800	State Program Revenues	8,679,993	200,047	487,838	9,367,878
5900	Federal Program Revenues	26,715	-	702,160	728,875
5020	Total Revenues	<u>15,650,598</u>	<u>2,590,118</u>	<u>1,756,051</u>	<u>19,996,767</u>
EXPENDITURES:					
Current:					
0011	Instruction	7,507,532	-	307,508	7,815,040
0012	Instructional Resources and Media Services	20,461	-	-	20,461
0013	Curriculum and Staff Development	19,356	-	4,100	23,456
0023	School Leadership	845,196	-	-	845,196
0031	Guidance, Counseling, and Evaluation Services	251,677	-	-	251,677
0033	Health Services	164,622	-	-	164,622
0034	Student Transportation	545,269	-	-	545,269
0035	Food Service	-	-	741,974	741,974
0036	Cocurricular/Extracurricular Activities	553,895	-	222,645	776,540
0041	General Administration	1,025,325	-	-	1,025,325
0051	Facilities Maintenance and Operations	1,842,633	-	87,762	1,930,395
0052	Security and Monitoring Services	341,110	-	354,912	696,022
0053	Data Processing Services	97,499	-	-	97,499
Debt Service:					
0071	Principal on Long-term Debt	18,937	1,700,000	-	1,718,937
0072	Interest on Long-term Debt	3,053	499,600	-	502,653
0073	Bond Issuance Costs and Fees	-	5,600	-	5,600
0081	Facilities Acquisition and Construction	3,371	-	-	3,371
Intergovernmental:					
0093	Payments to Shared Service Arrangements	280,281	-	-	280,281
0099	Other Intergovernmental Charges	145,557	-	-	145,557
6030	Total Expenditures	<u>13,665,774</u>	<u>2,205,200</u>	<u>1,718,901</u>	<u>17,589,875</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>1,984,824</u>	<u>384,918</u>	<u>37,150</u>	<u>2,406,892</u>
Other Financing Sources and (Uses):					
7912	Sale of Real or Personal Property	4,961	-	-	4,961
7080	Total Other Financing Sources and (Uses)	<u>4,961</u>	<u>-</u>	<u>-</u>	<u>4,961</u>
1200	Net Change in Fund Balances	<u>1,989,785</u>	<u>384,918</u>	<u>37,150</u>	<u>2,411,853</u>
0100	Fund Balances - Beginning	9,827,133	1,975,591	191,595	11,994,319
1300	Prior Period Adjustment	(109,601)	-	-	(109,601)
0100	Fund Balances - Beginning, as Restated	<u>9,717,532</u>	<u>1,975,591</u>	<u>191,595</u>	<u>11,884,718</u>
3000	Fund Balances - Ending	<u>\$ 11,707,317</u>	<u>\$ 2,360,509</u>	<u>\$ 228,745</u>	<u>\$ 14,296,571</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT**Exhibit C-3**

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

Net change in fund balances - total governmental funds	\$ 2,411,853
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	8,951
Capital outlays are not reported as expenses in the SOA.	807,408
The depreciation / amortization of capital assets used in governmental activities is not reported in the funds.	(1,217,790)
The gain or loss on the sale of capital assets is not reported in the funds.	4,961
Proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(4,961)
GASB 68 requires that certain plan expenditures be de-expended and recorded as deferred resource outflows. These pension contributions made after the measurement date of the plan increased ending net position.	325,480
Pension contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction to net pension liability.	(320,893)
Changes in the net pension liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financial statements. The net effect of the change is a decrease in net position.	(282,607)
GASB 75 requires that certain plan expenditures be de-expended and recorded as deferred resource outflows. These OPEB contributions made after the measurement date of the plan increased net position.	75,490
OPEB contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in the net OPEB liability.	(80,622)
Changes in the net OPEB liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financial statements. The net effect of the change is an increase in net position.	222,393
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,700,000
Increase in accrued interest on bonds from beginning of period to end of period.	4,225
Repayment of right-to-use lease principal is an expenditure in the funds but is not an expense in the SOA.	18,937
Deferred loss on refunding bonds is amortized in the SOA but not in the funds.	(76,420)
Premiums on bonds are amortized in the SOA but not in the funds.	80,964
Changes in compensated absence liabilities are reported in the SOA but not in the funds.	(20,175)
Change in net position of governmental activities - Statement of Activities	<u>\$ 3,657,194</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT**Exhibit E-1**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2025

Data Control Codes		Custodial Funds
ASSETS:		
1110	Cash and Cash Equivalents	\$ 66,616
1290	Other Receivable	1,203
1000	Total Assets	<u>67,819</u>
LIABILITIES:		
	Current Liabilities	
2110	Accounts Payable	570
2000	Total Liabilities	<u>570</u>
NET POSITION:		
3800	Restricted for Student Activities	67,249
3000	Total Net Position	<u>\$ 67,249</u>

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

Exhibit E-2

	Custodial Funds
ADDITIONS:	
Revenues from Student Activities	\$ 130,368
Total Additions	<u>130,368</u>
DEDUCTIONS:	
Payments for Student Activities	<u>128,411</u>
Total Deductions	<u>128,411</u>
Change in Fiduciary Net Position	1,957
Net Position-Beginning of the Year	<u>65,292</u>
Net Position-End of the Year	<u><u>\$ 67,249</u></u>

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This fund is used to account for and report financial resources restricted, committed, or assigned to expenditure for principal and interest.

In addition, the District reports the following fund types:

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

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

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting.

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected within 60 days after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under lease contracts are reported as other financing sources.

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

3. Financial Statement Amounts

a. Property Taxes

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

b. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The consumption method is used to account for prepayments. Under this method, items are carried in a prepaid account at the respective fund at cost and are subsequently charged to expenditures when used. Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year. Prepaid items have been recognized as non-spendable to signify that a portion of fund balance is not available for other subsequent expenditures.

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets and donated works of art and similar items are recorded at their acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used. Significant accounting policies for right-to-use assets are located at Note F for leases.

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

Asset Class	Estimated Useful Lives
Buildings	30-40 years
Building improvements	10-30 years
Furniture and equipment	5-10 years
Right-to-use assets - leases	5 years
Right-to-use assets - SBITA	5 years

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary statements of net position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense / expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. Receivable and Payable Balances

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

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

f. Compensated Absences

Upon retirement, an employee shall be eligible for reimbursement for unused state leave under the following conditions:

1. The employee's retirement is voluntary, i.e., the employee is not being discharged or nonrenewed.
2. The employee has at least five years of service with the District.
3. If the employee is re-employed with the District, days for which the employee received payment shall not be available to that employee.
4. The percentage of accumulated sick leave payment for employees with 5 years of service is 50%. An increase to this percentage increases for each year of service up to 10 years of service.

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

5. For professional employees, the rates of reimbursement shall be as follows:

- a. For state leave days accumulated while continuously employed by the District, the daily rate of pay of a certified substitute.
- b. For state leave days accumulated prior to continuous employment with the District, one-half the daily rate of pay of a certified substitute.

6. For all other eligible employees, the rates of reimbursement shall be as follows:

- a. For state leave days accumulated while continuously employed by the District, the daily rate of pay of a non-degreed substitute.
- b. For state leave days accumulated prior to continuous employment with the District, one-half the daily rate of pay of a non-degreed substitute.

g. Interfund Activity

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

h. Use of Estimates

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

i. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA, in order to ensure accuracy in building a statewide database for policy development and funding plans.

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees, which is a Board resolution. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation. At August 31, 2025, the District had other committed fund balance of \$72,783 in the General Fund for retirement incentive.

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

Additionally, the District had other committed fund balance of \$220,450 in a special revenue fund for campus activity.

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

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

k. Net Position Flow Assumption

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

l. Fund Balance Flow Assumptions

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

4. Pensions

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

5. Other Post-Employment Benefits

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

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

6. Implementation of New Standards

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

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave - should not be recognized until the leave commences. A liability for other specific types of compensated absences should not be recognized until the leave is used.

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

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

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

B. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$9,243,336 and the bank balance was \$9,416,283. The District's cash deposits at August 31, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

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

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

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

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Value</u>
LOGIC	Wtd Avg Maturity = 51 days	\$ 425,521
Texas CLASS	Wtd Avg Maturity = 41 days	4,944,989
Texas Regional Money Market	N/A	2,911,736
Total Investments		<u>\$ 8,282,246</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2025, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

LOGIC LGIP	AAAm
Texas CLASS LGIP	AAAm

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

The District reports its local government investment pools (Pools) at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. In addition, the Pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The Pools do not impose any liquidity fees or redemption gates.

Public Funds Investment Pools

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

LOGIC - LGIP

Local Government Investment Cooperative (LOGIC) (the "Pool") was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, and operates as a public funds investment pool under the Public Funds Investment Act. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all Participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the Participants.

The Board of Trustees is LOGIC's governing body and is comprised of employees, officers or elected officials of Participant Government Entities or individuals who do not have a business relationship with the Pool and are qualified to advise it. A maximum of two advisory board members represents the Co-Administrators of the Pool. The portfolio assets are marked to market daily using the fair value method. Due to the fact that amortized cost, which generally approximates the market value of the assets, has been deemed to be a proxy for fair value, portfolio assets are valued on the basis of the amortized cost valuation technique.

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

Texas CLASS - LGIP

Texas CLASS is administered by a board of pool members. The fair value of the District's position in Texas Class is the same as the value of the pool shares. Texas CLASS is operated in a manner consistent with the SEC's Rule 2A Texas 7 of the Investment Company Act of 1970.

C. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated / amortized:				
Land	\$ 947,249	\$ -	\$ -	\$ 947,249
Construction in Progress	-	7,836	-	7,836
Total capital assets not being depreciated / amortized	<u>947,249</u>	<u>7,836</u>	<u>-</u>	<u>955,085</u>
Capital assets being depreciated / amortized:				
Buildings and improvements	34,805,593	480,685	-	35,286,278
Furniture and equipment	2,891,660	318,887	145,466	3,065,081
Right-to-use assets - leased equipment	94,070	-	-	94,070
Right-to-use assets - SBITAs	18,847	-	-	18,847
Total capital assets being depreciated / amortized	<u>37,810,170</u>	<u>799,572</u>	<u>145,466</u>	<u>38,464,276</u>
Less accumulated depreciation / amortization for:				
Buildings and improvements	(18,300,873)	(982,476)	-	(19,283,349)
Furniture and equipment	(1,758,243)	(212,997)	(145,466)	(1,825,774)
Right-to-use assets - leased equipment	(37,919)	(18,548)	-	(56,467)
Right-to-use assets - SBITAs	(3,769)	(3,769)	-	(7,538)
Total accumulated depreciation / amortization	<u>(20,100,804)</u>	<u>(1,217,790)</u>	<u>(145,466)</u>	<u>(21,173,128)</u>
Total capital assets being depreciated / amortized, net	<u>17,709,366</u>	<u>(418,218)</u>	<u>-</u>	<u>17,291,148</u>
Governmental activities capital assets, net	<u>\$ 18,656,615</u>	<u>\$ (410,382)</u>	<u>\$ -</u>	<u>\$ 18,246,233</u>

Depreciation / amortization was charged to functions as follows:

Instruction	\$ 656,844
Instructional resources and media services	1,708
Curriculum and staff development	1,378
School leadership	70,193
Guidance, counseling, and evaluation services	20,911
Health services	13,643
Student transportation	42,823
Food services	61,824
Extracurricular activities	41,059
General administration	84,881
Facilities maintenance and operations	156,354
Security and monitoring services	58,532
Data processing services	7,639
	<u>\$ 1,217,790</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

D. Interfund Balances and Activities

1. Due To and From Other Funds

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

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 543,788
	Total	<u>\$ 543,788</u>

The outstanding balances between funds result mainly from the time lag between the dates that reimbursable expenditures occur or deposits of revenue are received, the dates the transactions are recorded in the accounting system, and the date the interfund payments are actually settled. All interfund receivables and payables will be liquidated within the next fiscal year.

E. Long-Term Obligations

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

1. Long-Term Obligation Activity

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 13,065,000	\$ -	\$ 1,700,000	\$ 11,365,000	\$ 760,000
Premium on Bonds	718,481	-	80,964	637,517	-
Net Pension Liability*	3,722,758	-	243,913	3,478,845	-
Net OPEB Liability*	1,885,422	808,582	-	2,694,004	-
Lease Liability	56,918	-	18,937	37,981	20,168
Compensated Absences	127,496	20,175	-	147,671	-
Total governmental activities	<u>\$ 19,576,075</u>	<u>\$ 828,757</u>	<u>\$ 2,043,814</u>	<u>\$ 18,361,018</u>	<u>\$ 780,168</u>

* Other long-term liabilities

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

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Net Pension Liability *	Governmental	General
Net OPEB Liability *	Governmental	General

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

2. Debt Service Requirements

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

Year Ending	Governmental Activities		
	Bonds		
	Principal	Interest	Total
August 31			
2026	\$ 760,000	\$ 432,000	\$ 1,192,000
2027	790,000	401,875	1,191,875
2028	820,000	371,475	1,191,475
2029	850,000	339,950	1,189,950
2030	885,000	307,150	1,192,150
2031-2035	4,985,000	968,500	5,953,500
2036-2040	2,275,000	91,900	2,366,900
Totals	\$ 11,365,000	\$ 2,912,850	\$ 14,277,850

The interest rate on the Unlimited Tax Refunding Bonds, Series 2014 Bonds ranges from 3.50% to 4.00% and matured on February 15, 2025.

The interest rate on the Unlimited Tax Refunding Bonds, Series 2014-A Bonds ranges from 3.00% to 4.00% and mature on February 15, 2030.

The interest rate on the Unlimited Tax Refunding Bonds, Series 2015 ranges from 3.00% to 4.00% and mature on February 15, 2037.

The interest rate on the Unlimited Tax Refunding Bonds, Series 2016 ranges from 2.00% to 4.00% and mature on February 15, 2033.

The District did not have any unused lines of credit, assets pledged as collateral for debt, or terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences, or subjective acceleration clauses as of August 31, 2025.

F. Leases

The District is a lessee for noncancelable leases of equipment. The District recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset, reported with other capital assets, in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$15,000 or more.

At the commencement of a lease, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments. The lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the commencement of the lease term, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses its estimated incremental borrowing rate as the discount rate for the lease.
- The lease term includes the noncancelable period of the lease.
- Lease payments included in the measurement of the liability are composed of fixed payments and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

The lease with Kyocera matures on July 1, 2027 and is for copier equipment with an initial value of \$94,070 payable in monthly installments of \$1,832 at an interest rate of 6.3%.

There were no variable payments or residual value guarantees or penalties not included in the measurement of the lease. The District did not have any commitments under leases not yet commenced at year-end, components of losses associated with asset impairments, or sublease transactions for fiscal year 2025.

Future lease payment maturity schedule is as follows:

Year Ending August 31	Principal	Interest	Total
2026	\$ 20,168	\$ 1,822	\$ 21,990
2027	17,813	512	18,325
Totals	\$ 37,981	\$ 2,334	\$ 40,315

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2025, Millsap Independent School District carried insurance through various plans described below. 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.

Property and Liability

During fiscal year 2025, Millsap ISD met its statutory property casualty obligations through participation in the Property Casualty Alliance of Texas (the Fund). The Fund was created pursuant to the provisions of the Interlocal Cooperation Act, Chapter 791, Title 7 of the Texas Government Code. All Districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides property and casualty coverage and service to its members. The Fund and its members are protected against higher than expected claims costs through reinsurance contracts for claims in excess of the Fund's self-insured retentions. The Fund uses the services of an independent actuary to help determine the reserve adequacy. As of August 31, 2024, the Fund carries a total of \$15,042,461 in current loss reserves, including \$4,673,631 for claims incurred but not yet reported. Losses and reserves are based on estimates and could be more or less than originally estimated.

Workers' Compensation

The District participates in the Public Workers' Compensation Program (PWCP), a fully guaranteed costs workers' compensation program servicing school districts and counties throughout Texas. The plan for workers' compensation benefit is authorized by Section 504.011 of the Labor Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provision of that agreement.

H. Pension Plan

1. Plan Description

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

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

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

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living-adjustment (COLA).

One-Time Stipends

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

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

Cost-of-Living Adjustment

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

- 2% COLA for eligible retirees who retired between September 1, 2013 through August 31, 2020.
- 4% COLA for eligible retirees who retired between September 1, 2001 through August 31, 2013.
- 6% COLA for eligible retirees who retired on or before August 31, 2001.

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

4. Contributions

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

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

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

	<u>Contribution Rates</u>	
	<u>2024</u>	<u>2025</u>
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
District's 2025 Employer Contributions	\$	325,480
District's 2025 Member Contributions	\$	675,119
2024 NECE On-Behalf Contributions (State)	\$	514,583

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

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

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

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

- All public schools, charter schools, and regional educational service centers must contribute 1.9% of the member's salary beginning in fiscal year 2024, gradually increasing to 2% in fiscal year 2025.
- 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.

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

5. Actuarial Assumptions

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

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

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

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

6. Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. 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% of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

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

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

Asset Class *	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.40%	1.00%
Non-U.S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Absolute Return*	0.00%	4.00%	0.00%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources and Infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity	8.00%	4.00%	0.40%
Asset Allocation Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag ****			-0.70%
Expected Return	100.00%		7.90%
* Absolute Return includes Credit Sensitive Investments. ** Target allocations are based on the FY2024 policy model. *** Capital Market Assumptions (CMA) come from 2024 SAA Study CMA Survey (as of 12/31/2023). **** The volatility drag results from the conversion between arithmetic and geometric mean returns.			

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	\$ 5,556,596	\$ 3,478,845	\$ 1,757,280

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

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

At August 31, 2025, the District reported a liability of \$3,478,845 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	\$ 3,478,845
State's proportionate share that is associated with District	<u>5,577,797</u>
Total	<u>\$ 9,056,642</u>

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

At August 31, 2024 the employer's proportion of the collective net pension liability was 0.005695%, which was an increase of 0.0002755% from its proportion measured as of August 31, 2023.

9. Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

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

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

For the fiscal year ended August 31, 2025, the District recognized pension expense of \$1,270,140 and revenue of \$666,640 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Actuarial Experience	\$ 191,749	\$ 27,161
Changes in Actuarial Assumptions	179,620	24,081
Difference Between Projected and Actual Investment Earnings	21,147	-
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	295,213	2,975
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability	325,480	-
Total	<u>\$ 1,013,209</u>	<u>\$ 54,217</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

The District recognized \$325,480 as deferred outflows of resources related to pension 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, 2025. 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:

Fiscal Year Ended August 31	Pension Expense Amount
2026	\$ 126,044
2027	449,208
2028	89,019
2029	(58,905)
2030	28,146
Thereafter	-

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

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

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

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

4. Contributions

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

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of Salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% 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% of each active employee's pay for fiscal year 2025. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2024</u>	<u>2025</u>
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%
District's 2025 Employer Contributions	\$	75,490
District's 2025 Member Contributions	\$	53,192
2024 NECE On-Behalf Contributions (State)	\$	101,022

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

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the total OPEB liability to August 31, 2024.

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

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

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

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	2.95% to 8.95%, including inflation
Ad hoc post-employment benefit changes	None

6. Discount Rate

A single discount rate of 3.87% was used to measure the total OPEB liability. This was a decrease of .26% in the discount rate since the previous year.

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

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

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.87%)	Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the net OPEB liability:	\$ <u>3,200,603</u>	\$ <u>2,694,004</u>	\$ <u>2,284,665</u>

8. 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 the Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in the Healthcare Trend Rate
District's proportionate share of the net OPEB liability:	\$ <u>2,193,866</u>	\$ <u>2,694,004</u>	\$ <u>3,345,733</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

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

At August 31, 2025, the District reported a liability of \$2,694,004 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	\$ 2,694,004
State's proportionate share that is associated with District	<u>3,375,550</u>
Total	<u>\$ 6,069,554</u>

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

At August 31, 2024 the District's proportion of the collective net OPEB liability was 0.008876%, which was an increase of 0.000359% from its proportion measured as of August 31, 2023.

10. Changes Since the Prior Actuarial Valuation

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

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

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

The amount of OPEB expense recognized by the District in the reporting period was (\$580,530) and revenue of (\$438,759) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Actuarial Experience	\$ 516,350	\$ 1,344,454
Changes in Actuarial Assumptions	344,801	879,022
Difference Between Projected and Actual Investment Earnings	-	7,544
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	794,449	1,696
Contributions paid to TRS subsequent to the measurement date of the Net OPEB Liability	75,490	-
Total	<u>\$ 1,731,090</u>	<u>\$ 2,232,716</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

The District recognized \$75,490 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 OPEB liability in the fiscal year ended August 31, 2026. The other amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended August 31	OPEB Expense Amount
2026	\$ (211,889)
2027	(89,874)
2028	(157,400)
2029	(110,598)
2030	(80,156)
Thereafter	72,801

11. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2025, the subsidy payment received by TRS-Care on behalf of the District was \$58,710.

J. Employee Health Care Coverage

During the year ended August 31, 2025, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$360 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third-party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

Latest financial statements for the Plan are available and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2025.

MILLSAP INDEPENDENT SCHOOL DISTRICT

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

L. Shared Services Arrangements

Shared Services Arrangement - Membership

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

Member Districts

Brock ISD
Garner ISD
Millsap ISD
Peaster ISD
Poolville ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, 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 a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

M. Adjustments to Beginning Balances

In the General Fund, it was determined that certain prior year receivables totaling \$109,601 were overstated. To correct this error, the beginning fund balance has been decreased. The adjustment decreased the change in fund balance for the governmental funds, as well as the governmental activities in the government-wide financial statements, by \$109,601 for the prior year.

	Governmental Activities	General Fund
Beginning net position/fund balance, as previously reported	\$ 12,116,596	\$ 9,827,133
Restatement	(109,601)	(109,601)
Beginning net position/fund balance, as adjusted	<u>\$ 12,006,995</u>	<u>\$ 9,717,532</u>

N. Subsequent Events

The District evaluated subsequent events through January 16, 2026, the date the financial statements were available to be issued noted no events.

Required Supplementary Information

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

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

Exhibit G-1

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
	REVENUES:				
5700	Local and Intermediate Sources	\$ 5,661,421	\$ 6,321,139	\$ 6,943,890	\$ 622,751
5800	State Program Revenues	8,043,701	8,005,717	8,679,993	674,276
5900	Federal Program Revenues	155,565	16,565	26,715	10,150
5020	Total Revenues	13,860,687	14,343,421	15,650,598	1,307,177
	EXPENDITURES:				
	Current:				
	Instruction and Instructional Related Services:				
0011	Instruction	7,835,867	7,554,375	7,507,532	46,843
0012	Instructional Resources and Media Services	51,037	25,472	20,461	5,011
0013	Curriculum and Instructional Staff Development	94,043	72,441	19,356	53,085
	Total Instruction and Instr. Related Services	7,980,947	7,652,288	7,547,349	104,939
	Instructional and School Leadership:				
0023	School Leadership	805,711	846,297	845,196	1,101
	Total Instructional and School Leadership	805,711	846,297	845,196	1,101
	Student Support Services:				
0031	Guidance, Counseling and Evaluation Services	250,500	250,554	251,677	(1,123)
0033	Health Services	184,910	167,840	164,622	3,218
0034	Student Transportation	606,472	662,414	545,269	117,145
0036	Extracurricular Activities	596,433	630,032	553,895	76,137
	Total Student Support Services	1,638,315	1,710,840	1,515,463	195,377
	Administrative Support Services:				
0041	General Administration	888,978	1,056,261	1,025,325	30,936
	Total Administrative Support Services	888,978	1,056,261	1,025,325	30,936
	Support Services:				
0051	Facilities Maintenance and Operations	1,903,189	1,964,668	1,842,633	122,035
0052	Security and Monitoring Services	180,256	190,233	341,110	(150,877)
0053	Data Processing Services	63,882	104,681	97,499	7,182
	Total Support Services	2,147,327	2,259,582	2,281,242	(21,660)
	Debt Service:				
0071	Principal on Long-Term Debt	-	19,500	18,937	563
0072	Interest on Long-Term Debt	-	4,000	3,053	947
	Total Debt Service	-	23,500	21,990	1,510
	Capital Outlay:				
0081	Facilities Acquisition and Construction	20	5,000	3,371	1,629
	Total Ancillary Services	20	5,000	3,371	1,629
	Intergovernmental Charges				
0093	Payments to Fiscal Agent/Member Dist.-SSA	234,213	280,713	280,281	432
0099	Other Intergovernmental Charges	158,490	158,490	145,557	12,933
	Total Intergovernmental Charges	392,703	439,203	425,838	13,365
6030	Total Expenditures	\$ 13,854,001	\$ 13,992,971	\$ 13,665,774	\$ 327,197

MILLSAP INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2025

Exhibit G-1

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	\$ 6,686	\$ 350,450	\$ 1,984,824	\$ 1,634,374
	Other Financing Sources and (Uses):				
7912	Sale of Real or Personal Property	-	-	4,961	4,961
7080	Total Other Financing Sources and (Uses)	-	-	4,961	4,961
1200	Net Change in Fund Balance	6,686	350,450	1,989,785	1,639,335
0100	Fund Balance - Beginning	9,827,133	9,827,133	9,827,133	-
1300	Prior Period Adjustment	(109,601)	(109,601)	(109,601)	-
0100	Fund Balances - Beginning, as Restated	9,717,532	9,717,532	9,717,532	-
3000	Fund Balance - Ending	\$ 9,724,218	\$ 10,067,982	\$ 11,707,317	\$ 1,639,335

MILLSAP INDEPENDENT SCHOOL DISTRICT
Exhibit G-2

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN MEASUREMENT YEARS

	Measurement Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.006%	0.005%	0.533%	0.005%	0.005%	0.004%	0.004%	0.004%	0.005%	0.004%
District's proportionate share of the net pension liability	\$ 3,478,845	\$ 3,722,758	\$ 3,163,664	\$ 1,271,732	\$ 2,625,854	\$ 2,171,617	\$ 2,375,449	\$ 1,293,954	\$ 1,703,630	\$ 1,503,167
State's proportionate share of the net pension liability associated with the District	5,577,797	6,770,004	6,069,086	2,728,880	5,553,342	5,049,813	5,343,967	3,167,018	3,687,620	3,365,824
Total	<u>\$ 9,056,642</u>	<u>\$ 10,492,762</u>	<u>\$ 9,232,750</u>	<u>\$ 4,000,612</u>	<u>\$ 8,179,196</u>	<u>\$ 7,221,430</u>	<u>\$ 7,719,416</u>	<u>\$ 4,460,972</u>	<u>\$ 5,391,250</u>	<u>\$ 4,868,991</u>
District's covered payroll	\$ 8,313,268	\$ 8,258,784	\$ 7,865,426	\$ 7,460,251	\$ 7,138,534	\$ 6,119,264	\$ 5,894,096	\$ 5,607,135	\$ 5,511,808	\$ 4,988,621
District's proportionate share of the net pension liability as a percentage of its covered payroll	41.85%	45.08%	40.22%	17.05%	36.78%	35.49%	40.30%	23.08%	30.91%	30.13%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

MILLSAP INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS

Exhibit G-3

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 325,480	\$ 320,893	\$ 278,304	\$ 248,679	\$ 213,136	\$ 202,292	\$ 146,219	\$ 145,384	\$ 57,663	\$ 143,241
Contributions in relation to the contractually required contribution	(325,480)	(320,893)	(278,304)	(248,679)	(213,136)	(202,292)	(146,219)	(145,384)	(57,663)	(143,241)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,193,018	\$ 8,313,268	\$ 8,258,784	\$ 7,865,426	\$ 7,460,251	\$ 7,138,534	\$ 6,119,264	\$ 5,894,096	\$ 5,607,135	\$ 5,511,808
Contributions as a percentage of covered payroll	3.97%	3.86%	3.37%	3.16%	2.86%	2.83%	2.39%	2.47%	1.03%	2.60%

MILLSAP INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN MEASUREMENT YEARS *

Exhibit G-4

	Measurement Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the collective net OPEB liability	0.009%	0.009%	0.009%	0.008%	0.008%	0.007%	0.007%	0.006%	-	-
District's proportionate share of the collective net OPEB liability	\$ 2,694,004	\$ 1,885,422	\$ 2,040,110	\$ 3,184,061	\$ 3,039,531	\$ 3,191,605	\$ 3,320,153	\$ 2,694,987	\$ -	\$ -
State proportionate share of the collective net OPEB liability associated with the District	3,375,550	2,275,051	2,488,613	4,265,932	4,084,401	4,240,927	5,222,269	4,549,552	-	-
Total	<u>\$ 6,069,554</u>	<u>\$ 4,160,473</u>	<u>\$ 4,528,723</u>	<u>\$ 7,449,993</u>	<u>\$ 7,123,932</u>	<u>\$ 7,432,532</u>	<u>\$ 8,542,422</u>	<u>\$ 7,244,539</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,313,268	\$ 8,258,784	\$ 7,865,426	\$ 7,460,251	\$ 7,138,534	\$ 6,119,264	\$ 5,894,096	\$ 5,607,135	\$ -	\$ -
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	32.41%	22.83%	25.94%	42.68%	42.58%	52.16%	56.33%	48.06%	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	13.70%	14.94%	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%	-	-

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

MILLSAP INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS

TEACHER RETIREMENT SYSTEM OF TEXAS

LAST TEN FISCAL YEARS *

Exhibit G-5

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily or contractually required District contribution	\$ 75,490	\$ 80,622	\$ 67,996	\$ 64,674	\$ 59,176	\$ 56,009	\$ 47,898	\$ 45,871	\$ -	\$ -
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(75,490)	(80,622)	(67,996)	(64,674)	(59,176)	(56,009)	(47,898)	(45,871)	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,193,018	\$ 8,313,268	\$ 8,258,784	\$ 7,865,426	\$ 7,460,251	\$ 7,138,534	\$ 6,119,264	\$ 5,894,096	\$ -	\$ -
Contributions as a percentage of covered payroll	0.92%	0.97%	0.82%	0.82%	0.79%	0.78%	0.78%	0.78%	-	-

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

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

Budget

The official budget was prepared for adoption for all Governmental Fund Types legally required (General Fund, Food Service Fund, and Debt Service Fund). The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

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

Defined Benefit Pension Plan and Defined Benefit OPEB Plan

Changes of benefit terms

Any changes of benefit terms that affected the measurement of the net pension liability during the measurement period are described in the notes to the financial statements (Note H).

Any changes of benefit terms that affected the measurement of the net OPEB liability during the measurement period are described in the notes to the financial statements (Note I).

Changes of assumptions

Any changes of assumptions that affected the measurement of the net pension liability during the measurement period are described in the notes to the financial statements (Note H).

Any changes of assumptions that affected the measurement of the net OPEB liability during the measurement period are described in the notes to the financial statements (Note I).

Other Supplementary Information

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

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

Exhibit J-1

Year Ended August 31	1	2	3	10	20	31	32	40	50	99
	Tax Rates		Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/2024	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/2025	Total Taxes Refunded Under Sect. 26.1115(c)
	Maintenance	Debt Service								
2016 and Prior Years	Various	Various	Various	\$ 70,118	\$ -	\$ 26	\$ 4	\$ (25,230)	\$ 44,858	
2017	1.1700	0.4950	304,509,279	6,428	-	-	-	(349)	6,079	
2018	1.1700	0.4950	336,711,202	8,122	-	8	4	(291)	7,819	
2019	1.7000	0.4422	393,152,766	8,508	-	86	31	(288)	8,103	
2020	1.0684	0.4022	458,019,721	8,433	-	193	73	(244)	7,923	
2021	1.0547	0.3346	428,325,592	10,858	-	114	36	(1,618)	9,090	
2022	0.9603	0.3146	533,062,044	15,891	-	2,797	916	(2,083)	10,095	
2023	0.9429	0.3146	587,922,704	39,586	-	6,459	2,155	(7,606)	23,366	
2024	0.7575	0.3146	676,420,856	110,806	-	20,989	8,717	(43,787)	37,313	
2025 (School Year Under Audit)	0.7552	0.3146	737,583,754	-	7,890,671	5,413,919	2,255,322	(104,933)	116,497	
1000 Totals				<u>\$ 278,750</u>	<u>\$ 7,890,671</u>	<u>\$ 5,444,591</u>	<u>\$ 2,267,258</u>	<u>\$ (186,429)</u>	<u>\$ 271,143</u>	

8000 - Total Taxes Refunded under Section 26.1115, Tax Code \$ 8,028

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

Column 20, the current year's levy is the ending levy due provided by Parker County Tax Offices.

Column 3, Assessed/Appraised Value for School Tax Purposes is calculated based on current year total levy divided by current year total tax rate. This amount includes adjustments for frozen values.

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

Exhibit J-2

Data Control Codes		1	2	3
		Budget	Actual	Variance with Final Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 300,000	\$ 269,060	\$ (30,940)
5800	State Program Revenues	28,021	23,629	(4,392)
5900	Federal Program Revenues	452,295	511,175	58,880
5020	Total Revenues	<u>780,316</u>	<u>803,864</u>	<u>23,548</u>
	EXPENDITURES:			
	Current			
0035	Food Services	815,316	741,974	73,342
	Support Services:			
0051	Facilities Maintenance and Operations	85,000	87,762	(2,762)
	Total Support Services	<u>85,000</u>	<u>87,762</u>	<u>(2,762)</u>
6030	Total Expenditures	<u>900,316</u>	<u>829,736</u>	<u>70,580</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(120,000)	(25,872)	94,128
1200	Net Change in Fund Balance	<u>(120,000)</u>	<u>(25,872)</u>	<u>94,128</u>
0100	Fund Balance - Beginning	31,381	31,381	-
3000	Fund Balance - Ending	<u>\$ (88,619)</u>	<u>\$ 5,509</u>	<u>\$ 94,128</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		1	2	3
		Budget	Actual	Variance with Final Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 2,182,235	\$ 2,390,071	\$ 207,836
5800	State Program Revenues	-	200,047	200,047
5020	Total Revenues	<u>2,182,235</u>	<u>2,590,118</u>	<u>407,883</u>
	EXPENDITURES:			
	Debt Service:			
0071	Principal on Long-Term Debt	1,700,000	1,700,000	-
0072	Interest on Long-Term Debt	499,600	499,600	-
0073	Bond Issuance Costs and Fees	10,000	5,600	4,400
6030	Total Expenditures	<u>2,209,600</u>	<u>2,205,200</u>	<u>4,400</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>(27,365)</u>	<u>384,918</u>	<u>412,283</u>
1200	Net Change in Fund Balance	(27,365)	384,918	412,283
0100	Fund Balance - Beginning	1,975,591	1,975,591	-
3000	Fund Balance - Ending	<u>\$ 1,948,226</u>	<u>\$ 2,360,509</u>	<u>\$ 412,283</u>

MILLSAP INDEPENDENT SCHOOL DISTRICT
 USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
 FAS OF AUGUST 31, 2025

Exhibit J-4

<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 666,820
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30)	\$ 524,647
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 22,178
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC 25)	\$ 13,576



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Millsap Independent School District
201 E. Brazos Street
Millsap, Texas 76066

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Millsap Independent School District, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise Millsap Independent School District's basic financial statements, and have issued our report thereon dated January 16, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of Millsap Independent School District in a separate letter dated January 16, 2026.

Purpose of this Report

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

A handwritten signature in dark ink that reads "Snow Garrett Williams". The signature is written in a cursive, flowing style.

Snow Garrett Williams
January 16, 2026

MILLSAP INDEPENDENT SCHOOL DISTRICT**Exhibit L-1****SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
FOR THE YEAR ENDED AUGUST 31, 2025**

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