

**MILLER GROVE
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED**

AUGUST 31, 2025

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

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CERTIFICATE OF BOARD

Miller Grove Independent School District
Name of School District

Hopkins
County

112-907
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved _____ disapproved for the year ended August 31, 2025 at a meeting of the Board of Trustees of such school district on the _____ day of _____, 2025.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(attach list as necessary)



INDEPENDENT AUDITOR'S REPORT

Board of Trustees

Miller Grove Independent School District
Cumby, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Emphasis of Matter

As discussed in Note V to the financial statements, in fiscal year 2025, the Government implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. The implementation resulted in a change in the accounting principle for compensated absences, including the recognition and measurement of sick leave liabilities. As a result, the beginning net position of the government-wide statements have been restated to reflect the cumulative effect of the accounting change. Our opinion is not modified with respect to this matter.

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, the budgetary comparison schedule-general fund, and net pension liability and contributions to TRS and net OPEB liability and contributions to OPEB on pages 4-12, 19 and 46-53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. The information is in Exhibits identified in the Table of Contents as J-1, J-2, J-3, J-4 and L-1. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

October 30, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the MILLER GROVE Independent School District we offer readers of the MILLER GROVE Independent School District's financial statements this narrative overview and analysis of the financial activities of the MILLER GROVE Independent School District for the year ended August 31, 2025. The information presented here should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

The District's total combined net position was \$6.5 million at August 31, 2025. During the year, the District's total revenues exceeded expenses by \$1.8 million. Total expenses of the District were \$5.07 million for the year which was a decrease of \$190 thousand. Revenue was \$6.9 million this year which was an increase of \$1.5 million. Property tax revenue was up \$143 thousand and state revenue was up \$378 thousand. The District received \$1 million from a clean bus program rebate to purchase electric buses.

Under accounting standards as per GASB 68, the District's portion of the net pension liability has been recorded on the government-wide statements. The District's portion of this liability and the related deferred outflows and inflows is a net liability of \$665 thousand which is an increase of \$71 thousand over the prior year.

Under accounting standards as per GASB 75, the District's portion of the net OPEB liability for TRS Care has been recorded in the government-wide statements. The District's portion of this liability and the related deferred outflows and inflows is a net liability of \$1.16 million which is a decrease of \$136 thousand from the prior year.

The District reported fund balance in the general fund of \$2.1 million at August 31, 2025, which is an increase of approximately \$592 thousand because of an increase to state revenue and an increase in property taxes.

Approximately 95% of the taxes levied for 2024-2025 were collected by fiscal year end.

OVERVIEW OF THE FINANCIAL STATEMENTS

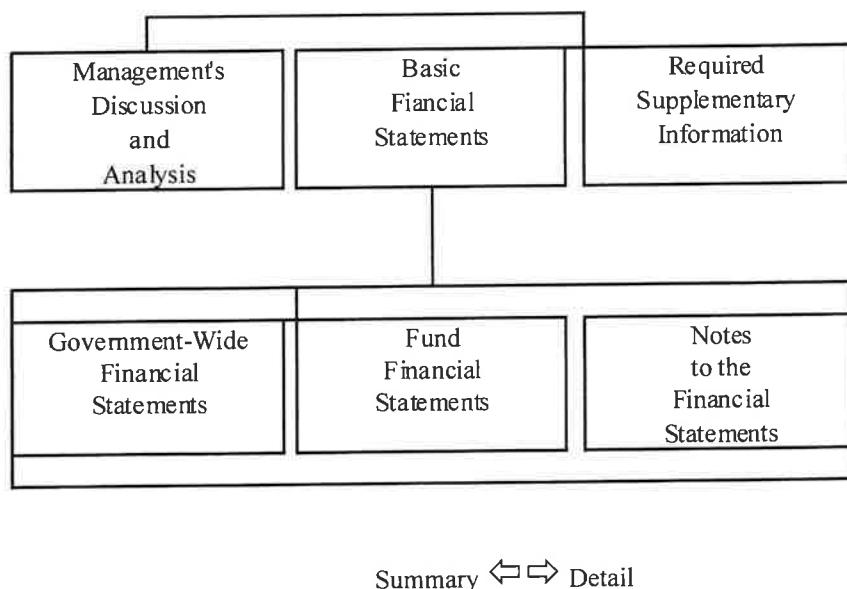
This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

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



The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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

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

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

(A) The District has no enterprise funds or fiduciary funds.

Government-wide Statements

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

The two government-wide statements report the District's *net position* and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, consideration should be given to additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities. Also included are business-type activities. The District charges a fee to "customers" to help cover the costs of services provided.

Fund Financial Statements

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

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

The District has two kinds of funds:

- *Governmental funds*-Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was approximately \$6.5 million at August 31, 2025.

Table A-1
The District's Net Position
(in thousands of dollars)

	Governmental Activities	
	2025	2024
Current and other assets	3,234	2,423
Capital and non-current assets	9,022	8,098
TOTAL ASSETS	12,256	10,521
Deferred resource outflow related to TRS pension	352	554
Deferred resource outflow related to TRS OPEB	960	644
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,312	1,198
Long-term liabilities	5,692	5,317
Other liabilities	192	237
TOTAL LIABILITIES	5,884	5,554
Deferred resource inflow related to TRS pension	17	47
Deferred resource inflow related to TRS OPEB	1,141	1,326
TOTAL DEFERRED INFLOWS OF RESOURCES	1,158	1,373
Net position		
Invested in capital assets		
net of related debt	5,576	4,492
Restricted	875	620
Unrestricted	75	(320)
TOTAL NET POSITION	6,526	4,792

Net position invested in capital assets net of related debt reflects the book value of the District's capital assets in excess of the debt which financed those assets. Recording the Pension and OPEB liabilities and deferred outflow and inflow related to them decreased unrestricted net position by \$1.82 million.

The \$875 thousand is restricted as follows:

Restricted for food service	1
Restricted for debt service	675
Restricted for other purposes	199
	875

Net position of the District's governmental activities increased from \$4.79 million to \$6.52 million, or \$1.73 million. The increase was the result of four main factors. First, the District's revenues exceeded expenditures by \$701 thousand. Second, the District paid \$275 thousand principal on long-term debt, and purchased fixed assets of \$1.2 million. Third, the District recorded depreciation of \$312 thousand. Fourth, the District's net pension liabilities and OPEB liabilities decreased by \$65 thousand.

As a result of GASB 101, compensated absences of \$269 thousand has been recorded this year. \$239 thousand of this was recorded as a decrease to beginning net position.

Changes in net position.

The District's total revenues were \$6.9 million. 14% of this comes from taxes, 51% was from state aid formula grants, 14% was from operating grants and contributions, and 15% was from the clean bus rebate.

The total cost of all programs was \$5.07 million. Approximately 65% of this was for instructional and student services.

Net position increased by \$1.8 million from the excess of revenues over expenses.

Table A-2
The District's Changes in Net Position
(in thousands of dollars)

	Governmental Activities	
	2025	2024
Revenues		
Program Revenues		
Charges for Services	60	111
Operating Grants and Contributions	954	1,026
General Revenues		
Property Taxes	997	854
State aid - formula	3,552	3,174
Investment earnings	115	100
Clean Bus Rebate	1,035	-
Other	189	88
Total Revenues	<u>6,902</u>	<u>5,353</u>
Expenses		
Instruction and instructional related	2,679	2,750
Instructional leadership/school administration	385	368
Guidance, social work, health, transportation	215	240
Food services	254	283
Extracurricular activities	192	187
General Administration	319	277
Plant maintenance and security	700	809
Data processing services	50	66
Debt service	102	109
Facilities acquisition & construction	-	-
Pmts to fiscal agent/member districts - shared service	177	174
Total Expenses	<u>5,073</u>	<u>5,263</u>
Increase (Decrease) in Net Position	1,829	90
Beginning Net Position	4,792	4,702
Prior Period Adjustment	144	-
Restatement for Implementation of GASB 101	(239)	-
Ending Net Position	<u>6,526</u>	<u>4,792</u>

Table A-3 presents the cost of each of the District's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$5.1 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$997 thousand.
- Some of the cost was paid by those who directly benefited from the programs (\$60 thousand), or by grants and contributions (\$954 thousand).

Table A-3
Net Cost of Selected District Functions
(in thousands of dollars)

	Total Cost of Services		Net Cost of Services	
	2025	2024	2025	2024
Instruction	2,679	2,750	2,139	2,202
School administration	385	368	298	338
Plant Maintenance & Operations	700	809	608	557
Debt Service-Interest & Fiscal Charges	102	109	102	109

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District reported fund balance in its governmental funds of approximately \$3 million reflecting a net increase of \$701 thousand from operations. Reasons for the increase to the general fund are described on page 4.

The debt service fund balance increased \$107 thousand as compared to \$26 thousand the prior year. Tax revenue and state revenue was more. The food service fund decreased \$52 thousand as funding was less than the prior year.

General Fund Budgetary Highlights

Several budget amendments were made during the year. In total, actual expenditures were less than budgeted by \$297 thousand. All functions were properly budgeted. Revenues were more than budgeted amounts by \$474 thousand because state revenue was less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table A-4
District's Capital Assets
(in thousands of dollars)

	Governmental Activities	
	2025	2024
Land	206	82
Buildings and improvements	10,582	10,582
Furniture and equipment	2,072	1,076
Totals at historical cost	<u>12,860</u>	<u>11,740</u>
Total accumulated depreciation	<u>(3,838)</u>	<u>(3,642)</u>
Net capital assets	<u>9,022</u>	<u>8,098</u>

The District purchased land and new electric buses this year.

Long-Term Debt

Table A-5
District's Long-Term Debt
(in thousands of dollars)

	Governmental	
	2025	2024
Bonds payable	2,500	2,685
Time Warrants payable	947	922
	<u>3,447</u>	<u>3,607</u>

The District paid the required principal as it came due.

Compensated absences of \$269 thousand is reflected in long-term liabilities on page 8. \$45 thousand of this is reflected as due within one year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Miller Grove Independent School District's Board of Trustees and administrative Staff considered many factors when setting the fiscal year 2026 budget and tax rates. One of these factors is the economy. The district's population has remained fairly consistent over the past few years.

This year, the State maintained our tax rate of \$0.7575 for M&O. Enrollment is up to 314 students this year compared to 310 last year. Miller Grove ISD is primarily an agricultural area. While unemployment remains low, there has been a slow change in the occupation of district residents. The number of residents who work in jobs outside district boundaries continues to rise, but is affected by the cost of fuel.

The above factors were taken into consideration when adopting the General Fund Budget for 2025. We are proactively budgeting for plant maintenance issues, such as failing A/C units, to be replaced as they fail, ensuring the safety and comfort of our students and staff. Additionally, we are planning to continue finishing the electric bus project associated with a grant we received last year, and eliminating some debt, if possible.

The Board, in its commitment to financial responsibility, voted to adopt the mandated \$0.7552 M&O rate allowed by the legislature. A balanced budget was adopted for the 25-26 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Miller Grove Independent School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the District's Central Business Office.

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE STATEMENTS

MILLER GROVE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2025

EXHIBIT A-1

Data	Primary Government
Control	Governmental
Codes	Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,451,680
1220 Property Taxes - Delinquent	74,319
1230 Allowance for Uncollectible Taxes	(47,713)
1240 Due from Other Governments	754,047
1290 Other Receivables, Net	891
Capital Assets:	
1510 Land	206,344
1520 Buildings, Net	7,480,120
1530 Furniture and Equipment, Net	1,336,004
1000 Total Assets	<u>12,255,692</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	351,793
1706 Deferred Outflow Related to TRS OPEB	<u>960,077</u>
1700 Total Deferred Outflows of Resources	<u>1,311,870</u>
LIABILITIES	
2160 Accrued Wages Payable	186,877
2200 Accrued Expenses	4,813
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	326,808
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	3,164,466
2505 Compensated Absences	224,563
2540 Net Pension Liability (District's Share)	999,979
2545 Net OPEB Liability (District's Share)	976,324
2000 Total Liabilities	<u>5,883,830</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	17,069
2606 Deferred Inflow Related to TRS OPEB	<u>1,140,705</u>
2600 Total Deferred Inflows of Resources	<u>1,157,774</u>
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	5,575,879
Restricted:	
3820 Restricted for Federal and State Programs	764
3850 Restricted for Debt Service	674,925
3890 Restricted for Other Purposes	198,853
3900 Unrestricted	75,537
3000 Total Net Position	<u>\$ 6,525,958</u>

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

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

Data Control Codes	1	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		3	4	6					
				Primary Gov. Governmental Activities					
Primary Government:									
GOVERNMENTAL ACTIVITIES:									
11 Instruction	\$ 2,614,636	\$ -	\$ 535,709	\$ (2,078,927)					
12 Instructional Resources and Media Services	43,877	-	3,703	(40,174)					
13 Curriculum and Instructional Staff Development	19,561	-	-	(19,561)					
21 Instructional Leadership	84,938	-	11,109	(73,829)					
23 School Leadership	300,257	-	75,712	(224,545)					
31 Guidance, Counseling, and Evaluation Services	5,000	-	-	(5,000)					
33 Health Services	58,463	-	7,406	(51,057)					
34 Student (Pupil) Transportation	151,582	-	3,703	(147,879)					
35 Food Services	253,756	19,256	166,275	(68,225)					
36 Extracurricular Activities	191,829	40,704	7,406	(143,719)					
41 General Administration	319,348	-	49,498	(269,850)					
51 Facilities Maintenance and Operations	609,034	-	35,527	(573,507)					
52 Security and Monitoring Services	91,185	-	57,322	(33,863)					
53 Data Processing Services	50,166	-	-	(50,166)					
72 Debt Service - Interest on Long-Term Debt	101,820	-	-	(101,820)					
73 Debt Service - Bond Issuance Cost and Fees	500	-	-	(500)					
93 Payments Related to Shared Services Arrangements	177,155	-	-	(177,155)					
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 5,073,107	\$ 59,960	\$ 953,370	(4,059,777)					
Data Control Codes									
General Revenues:									
Taxes:									
MT	Property Taxes, Levied for General Purposes				736,330				
DT	Property Taxes, Levied for Debt Service				260,460				
SF	State Aid - Formula Grants				3,551,827				
IE	Investment Earnings				115,563				
MI	Miscellaneous Local and Intermediate Revenue				<u>1,224,273</u>				
TR	Total General Revenues				<u>5,888,453</u>				
CN	Change in Net Position				<u>1,828,676</u>				
NB	Net Position - Beginning as Previously Reported				<u>4,792,021</u>				
PA	Adjustments and Restatement				<u>(94,739)</u>				
	Net Position- Beginning as Adjusted				<u>4,697,282</u>				
NE	Net Position - Ending				<u>\$ 6,525,958</u>				

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

**GOVERNMENTAL FUND FINANCIAL
STATEMENTS**

MILLER GROVE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS					
1110 Cash and Cash Equivalents	\$ 1,663,606	\$ 674,925	\$ 113,149	\$ 2,451,680	
1220 Property Taxes - Delinquent	56,482	17,837	-	74,319	
1230 Allowance for Uncollectible Taxes	(42,362)	(5,351)	-	(47,713)	
1240 Due from Other Governments	649,593	-	104,454	754,047	
1290 Other Receivables	766	-	125	891	
1000 Total Assets	\$ 2,328,085	\$ 687,411	\$ 217,728	\$ 3,233,224	
LIABILITIES					
2160 Accrued Wages Payable	\$ 169,786	\$ -	\$ 17,091	\$ 186,877	
2200 Accrued Expenditures	3,793	-	1,020	4,813	
2000 Total Liabilities	173,579	-	18,111	191,690	
DEFERRED INFLOWS OF RESOURCES					
2601 Unavailable Revenue - Property Taxes	14,120	12,486	-	26,606	
2600 Total Deferred Inflows of Resources	14,120	12,486	-	26,606	
FUND BALANCES					
Restricted Fund Balance:					
3450 Federal or State Funds Grant Restriction	-	-	764	764	
3480 Retirement of Long-Term Debt	-	674,925	-	674,925	
3490 Other Restricted Fund Balance	-	-	198,853	198,853	
Assigned Fund Balance:					
3550 Construction	500,000	-	-	500,000	
3570 Capital Expenditures for Equipment	100,000	-	-	100,000	
3600 Unassigned Fund Balance	1,540,386	-	-	1,540,386	
3000 Total Fund Balances	2,140,386	674,925	199,617	3,014,928	
4000 Total Liabilities, Deferred Inflows & Fund Balances	\$ 2,328,085	\$ 687,411	\$ 217,728	\$ 3,233,224	

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

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 3,014,928
1 Restatement for implementation of GASB 101 Compensated Absences of \$239,287 at beginning of year plus adjustment for current year of \$29,961.	(269,248)
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$11,739,873 and the accumulated depreciation was (\$3,641,778). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position. Note: Beginning Balances related to TRS are NOT included in this amount.	4,491,502
3 Current year capital outlays and debt principal are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2025 capital outlays and debt principal payments is to increase net position.	1,511,603
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$554,209, a Deferred Resource Inflow in the amount of \$47,396, and a net pension liability in the amount of \$1,100,870. The impact of this on Net Position is \$(594,057). Changes in the plan reported by TRS for this measurement period resulted in a decrease in net position in the amount of \$(71,198). The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of \$(665,255).	(665,255)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. At the beginning of the year, the net position related to the OPEB liability was a Deferred Resource Outflow in the amount of \$643,441, a Deferred Resource Inflow in the amount of \$1,325,920 and a net OPEB liability in the amount of \$(610,499). The impact of this on Net Position is \$(1,292,978). Changes in the OPEB reported by TRS for this measurement period resulted in an increase in net position in the amount of \$136,026. The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of \$(1,156,952).	(1,156,952)
6 The 2025 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(312,096)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, and recognizing the liabilities associated with maturing long-term debt and interest and proceeds of new debt. The net effect of these reclassifications and recognitions is to decrease net position.	(88,524)
29 Net Position of Governmental Activities	\$ 6,525,958

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,001,714	\$ 314,497	\$ 74,679	\$ 2,390,890
5800 State Program Revenues	3,695,646	53,403	312,400	4,061,449
5900 Federal Program Revenues	1,674	-	268,983	270,657
5020 Total Revenues	5,699,034	367,900	656,062	6,722,996
EXPENDITURES:				
Current:				
0011 Instruction	2,050,782	-	271,110	2,321,892
0012 Instructional Resources and Media Services	42,819	-	-	42,819
0013 Curriculum and Instructional Staff Development	19,561	-	-	19,561
0021 Instructional Leadership	81,117	-	-	81,117
0023 School Leadership	247,003	-	46,087	293,090
0031 Guidance, Counseling, and Evaluation Services	5,000	-	-	5,000
0033 Health Services	55,699	-	-	55,699
0034 Student (Pupil) Transportation	1,195,918	-	-	1,195,918
0035 Food Services	3,820	-	239,066	242,886
0036 Extracurricular Activities	147,527	-	-	147,527
0041 General Administration	267,146	-	30,983	298,129
0051 Facilities Maintenance and Operations	571,975	-	20,715	592,690
0052 Security and Monitoring Services	65,502	-	46,213	111,715
0053 Data Processing Services	50,166	-	-	50,166
Debt Service:				
0071 Principal on Long-Term Liabilities	110,134	165,000	-	275,134
0072 Interest on Long-Term Liabilities	26,815	94,875	-	121,690
0073 Bond Issuance Cost and Fees	-	500	-	500
Capital Outlay:				
0081 Facilities Acquisition and Construction	124,068	-	-	124,068
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	177,155	-	-	177,155
6030 Total Expenditures	5,242,207	260,375	654,174	6,156,756
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	456,827	107,525	1,888	566,240
OTHER FINANCING SOURCES (USES):				
7914 Non-Current Loans	135,000	-	-	135,000
1200 Net Change in Fund Balances	591,827	107,525	1,888	701,240
0100 Fund Balance as Previously reported	1,548,559	567,400	53,181	2,169,140
1300 Adjustments and Restatements	-	-	144,548	144,548
Fund Balance - Sept. 1, as Restated and Adjusted	1,548,559	567,400	197,729	2,313,688
3000 Fund Balance - August 31 (Ending)	\$ 2,140,386	\$ 674,925	\$ 199,617	\$ 3,014,928

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

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 701,240
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2025 capital outlays and debt principal payments is to increase net position.	1,511,603
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(312,096)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and recognizing the liabilities associated with maturing long-term debt and interest and proceeds of new debts. The net effect of these reclassifications and recognitions is to decrease net position.	(106,938)
Current year changes due to GASB 68 resulted in a net effect on the change in the ending net position as a decrease in the amount of \$(71,198).	(71,198)
Current year changes due to GASB 75 resulted in a net effect on the change in the ending net position as an increase in the amount of \$136,026.	136,026
Current year change due to GASB 101 resulted in a decrease in net position of \$ (29,961).	(29,961)
Change in Net Position of Governmental Activities	<u>\$ 1,828,676</u>

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

MILLER GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)		Variance With Final Budget Positive or (Negative)
	Original	Final			
REVENUES:					
5700 Total Local and Intermediate Sources	\$ 855,636	\$ 1,936,136	\$ 2,001,714	\$ 65,578	
5800 State Program Revenues	3,288,114	3,288,114	3,695,646	407,532	
5900 Federal Program Revenues	-	-	1,674	1,674	
5020 Total Revenues	4,143,750	5,224,250	5,699,034	474,784	
EXPENDITURES:					
Current:					
0011 Instruction	2,203,373	2,209,874	2,050,782	159,092	
0012 Instructional Resources and Media Services	46,523	46,523	42,819	3,704	
0013 Curriculum and Instructional Staff Development	21,822	21,822	19,561	2,261	
0021 Instructional Leadership	85,763	82,014	81,117	897	
0023 School Leadership	299,077	299,077	247,003	52,074	
0031 Guidance, Counseling, and Evaluation Services	5,000	5,000	5,000	-	
0033 Health Services	57,021	57,021	55,699	1,322	
0034 Student (Pupil) Transportation	130,598	1,205,598	1,195,918	9,680	
0035 Food Services	3,820	3,820	3,820	-	
0036 Extracurricular Activities	163,255	165,456	147,527	17,929	
0041 General Administration	304,243	304,244	267,146	37,098	
0051 Facilities Maintenance and Operations	579,914	579,915	571,975	7,940	
0052 Security and Monitoring Services	63,259	69,259	65,502	3,757	
0053 Data Processing Services	46,129	50,880	50,166	714	
Debt Service:					
0071 Principal on Long-Term Liabilities	91,837	110,134	110,134	-	
0072 Interest on Long-Term Liabilities	24,833	26,833	26,815	18	
Capital Outlay:					
0081 Facilities Acquisition and Construction	-	125,000	124,068	932	
Intergovernmental:					
0093 Payments to Fiscal Agent/Member Districts of SSA	176,187	177,187	177,155	32	
6030 Total Expenditures	4,302,654	5,539,657	5,242,207	297,450	
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(158,904)	(315,407)	456,827	772,234	
OTHER FINANCING SOURCES (USES):					
7914 Non-Current Loans	-	135,000	135,000	-	
8911 Transfers Out (Use)	(50,000)	(50,000)	-	50,000	
7080 Total Other Financing Sources (Uses)	(50,000)	85,000	135,000	50,000	
1200 Net Change in Fund Balances	(208,904)	(230,407)	591,827	822,234	
0100 Fund Balance - September 1 (Beginning)	1,548,559	1,548,559	1,548,559	-	
3000 Fund Balance - August 31 (Ending)	\$ 1,339,655	\$ 1,318,152	\$ 2,140,386	\$ 822,234	

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

MILLER GROVE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MILLER GROVE INDEPENDENT SCHOOL DISTRICT (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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

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.

MILLER GROVE INDEPENDENT SCHOOL DISTRICT applies Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District's investments are accounted for using the cost amortization method.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the MILLER GROVE INDEPENDENT SCHOOL DISTRICT activities with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. The District has no business type activities.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. Direct costs are those that are clearly identifiable with a specific function. Program revenues of the District include charges for services and operating grants and contributions. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Inter-fund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. Inter-fund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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.

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

D. FUND ACCOUNTING

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues and expenditures.

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Fund** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

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

OTHER ACCOUNTING POLICIES

1. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.
2. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District and the component units are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20-50
Vehicles	10
Office Equipment	10
Computer Equipment	5

3. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Commitments of fund balance represent tentative management plans that are subject to change.
4. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
5. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a State-wide data base for policy development and funding plans.
6. Investments are carried at fair value.
7. Fund balance measures the net financial resources available to finance expenditures of future periods.

The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund balance may only be appropriated by resolution of the Board of Trustees.

Fund balance of the District may be committed for a specific source by formal action of the Miller Grove ISD Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action of the Miller Grove ISD Board of Trustees.

When it is appropriate for fund balance to be assigned, the Board delegates authority to the Superintendent and Chief Financial Officer.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

8. The District implemented GASB 101 for Uncompensated Absences payable for unused personal time off days. The balance owed at September 1, 2024 is recorded as a restatement of beginning net position on the government wide statement of activities. The adjustment necessary to arrive at the balance at August 31, 2025 is expensed during the current year on the statement of activities.
9. Deferred Outflows/Inflows of Resources—The District implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities for the year ended August 31, 2013. The District implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions for the year ended August 31, 2015. The District implemented GASB Statement No. 75 Accounting and Financial Reporting for Other Post-Employment Benefits for the year ended August 31, 2018. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three types of items that qualify for reporting in this category, deferred charge for refunding bonded indebtedness and deferred outflows related to TRS as per GASB 68 related to pension accounting, and related to TRS OPEB related to TRS Care. These will be recognized as an outflow of resources in the subsequent years as they are amortized.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items that qualify for reporting in this category, property taxes and deferred inflows related to TRS, and related to TRS Care. These amounts will be recognized as an inflow of resources in the subsequent years as collected.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets at the beginning of the Year	Historic Cost	Accumulated Depreciation	Beginning of the Year	Change in Net Position
Land	82,276	-	82,276	
Buildings and Improvements	10,581,748	(2,873,240)	7,708,508	
Furniture & Equipment	1,075,849	(768,538)	307,311	
Construction in Progress	-	-	-	
Change in Net Position	11,739,873	(3,641,778)	8,098,095	<u>8,098,095</u>
Long-term liabilities at the Beginning of the Year				
Bonds Payable			(2,684,621)	
Loan Payable			(921,972)	
Change in Net Position				<u>(3,606,593)</u>
Net adjustment to Net Position				<u>4,491,502</u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current year Capital Outlay</u>			
Land	124,068	124,068	124,068
Building & Improvement	-	-	-
Furniture & Equipment	1,112,401	1,112,401	1,112,401
Total Capital Outlay	<u>1,236,469</u>	<u>1,236,469</u>	<u>1,236,469</u>
<u>Debt Principal Payments</u>			
Loan Principal	110,134	110,134	110,134
Bond Principal	165,000	165,000	165,000
Total Principal Payments	<u>275,134</u>	<u>275,134</u>	<u>275,134</u>
Total Adjustment to Net Position	<u><u>1,511,603</u></u>	<u><u>1,511,603</u></u>	<u><u>1,511,603</u></u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	(26,351)	(26,351)	-
Uncollected taxes (assumed collectible) from Current Year Levy	26,606	26,606	26,606
Effect of prior year tax entries	7,937	7,937	-
Amortization of premium/discount	19,870	19,870	19,870
Time warrant proceeds	135,000	(135,000)	(135,000)
Total	<u><u>(106,938)</u></u>	<u><u>(88,524)</u></u>	<u><u>(88,524)</u></u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds if they are considered major funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5 and the other two reports are in Exhibit J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.

4. Each budget 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. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	August 31, 2025
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	764
Nonappropriated Budget Funds	<u>198,853</u>
All Special Revenue Funds	<u><u>199,617</u></u>

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not allowing foreign currency investments.

As of August 31, 2025, the following are the District's cash and cash equivalents with respective maturities and credit rating:

Type of Deposit	Fair Value	Percent	Maturity in		Over 10 Years	Credit Rating
			Less than 1 year	1-10 Years		
Cash, Money Markets and FDIC Insured Accounts	2,451,680	100%	2,451,680	-	-	N/A
Total Cash and Cash Equivalents	\$ 2,451,680	100%	\$ 2,451,680	-	-	

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

a. Depository: Alliance Bank

- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$3,553,777.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$3,110,481 and occurred during the month of January, 2025.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$500,000.

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. MILLER GROVE INDEPENDENT SCHOOL DISTRICT is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for MILLER GROVE INDEPENDENT SCHOOL DISTRICT are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in commercial paper, corporate bonds, mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs).

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires all of the investment portfolio to have maturities of less than one year.

Foreign Currency Risk for Investments The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not allowing foreign investments.

The District had no investments at August 31, 2025.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District 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 31 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 school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances at August 31, 2025.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2025, were as follows:

	Property Taxes	Other Governments	Other Funds	Due From Other	Total Receivables
Governmental Activities:					
General Fund	56,482	649,593	-	766	706,841
Nonmajor Governmental Funds	-	104,454	-	125	104,579
Other Major Governmental Funds	17,837	-	-	-	17,837
Total-Governmental Activities	74,319	754,047	-	891	829,257
Amount not scheduled for collection during the subsequent year	47,713	-	-	-	47,713

Payables at August 31, 2025, were as follows:

	Accounts	Bonds Payable- Current Year	Loans, Leases, and Bonds	Salaries & Benefits	Due to Other Funds	Due to Other Governments	Other	Total Payables
Governmental Activities:								
General Fund	-	-	173,579	-	-	-	-	173,579
Other Major Governmental Funds	-	-	18,111	-	-	-	-	18,111
Nonmajor Governmental Funds	-	-	-	-	-	-	-	-
Total-Governmental Activities	-	-	191,690	-	-	-	-	191,690
Amount not scheduled for collection during the subsequent year		-	-	-	-	-	-	-

F. CAPITAL ASSET ACTIVITY

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

	Primary Government			
	Beginning		Ending	
	Balance	Additions	Retirements	Balance
District:				
Land	82,276	124,068	-	206,344
Buildings and Improvements	10,581,748	-	-	10,581,748
Furniture and Equipment	1,075,849	1,112,401	(116,238)	2,072,012
Construction in Progress	-	-	-	-
Totals at Historic Cost	11,739,873	1,236,469	(116,238)	12,860,104
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,873,240)	(228,388)	-	(3,101,628)
Furniture and Equipment	(768,538)	(83,708)	116,238	(736,008)
Total Accumulated Depreciation	(3,641,778)	(312,096)	116,238	(3,837,636)
Governmental Activities Capital Assets, Net				
	8,098,095	924,373	-	9,022,468

Depreciation expense was charged to governmental functions as follows:

Instruction	183,802
Student (Pupil) Transportation	42,007
Food Services	16,705
Curricular/ Extracurricular Activities	42,187
General Administration	16,578
Plant Maintenance and Operations	10,817
Total Depreciation Expense	312,096

G. LONG-TERM LOANS PAYABLE

Current requirements for principal and interest expenditures are accounted for in the General Fund.

In 2015 the District drew time warrant proceeds totaling \$408,000. The proceeds were used for elementary campus improvements as authorized by section 45.103 of the Texas Education Code. The loan bears an effective interest rate of 3.55%.

In 2019 the District drew time warrant proceeds totaling \$1,000,000. The proceeds were used for athletic improvements as authorized by section 45.103 of the Texas Education Code. The loan bears an effective interest rate of 2.57%.

In 2025 the District drew time warrant proceeds totaling \$135,000. The proceeds were used for the acquisition and equipment of school buildings as authorized by section 45.103 of the Texas Education Code. The loan bears an effective interest rate of 5.50%.

A summary of changes in loan general long-term debt for the year ended August 31, 2025 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable			Outstanding 8/31/2025
				Outstanding 9/1/2024	Issued	Retired	
Time Warrant, Series 2015	3.550%	408,000	7,702	216,972	-	(27,848)	189,124
Time Warrant, Series 2019	2.570%	1,000,000	118,118	705,000	-	(63,000)	642,000
Time Warrant, Series 2025	5.500%	135,000	1,011	-	135,000	(19,286)	115,714
		<u>1,543,000</u>	<u>126,831</u>	<u>921,972</u>	<u>135,000</u>	<u>(110,134)</u>	<u>946,838</u>

Loan debt service requirements are as follows:

Year Ended August 31,	General Obligations		
	Principal	Interest	Total Requirements
2026	112,123	29,667	141,790
2027	115,147	25,922	141,069
2028	118,207	22,102	140,309
2029	120,304	18,168	138,472
2030	123,440	14,185	137,625
2031-2035	357,617	22,084	379,701
	<u>946,838</u>	<u>132,128</u>	<u>1,078,966</u>

H. BONDS PAYABLE

During the 2019-2020 fiscal year as authorized in Chapter 45 Texas Education Code, the District issued the Unlimited Tax Building & Refunding Bonds Series 2019 for \$2.94 million. \$940,000 of this was used to refund all but \$135 thousand of the Series 2011 debt. Also, \$2 million of this is to be used on new construction for a multi-purpose building. Interest is payable from 3%-4%. The advance refunding of the 2011 debt was undertaken to reduce total debt payments by approximately \$85 thousand and to obtain an economic gain of approximately \$77 thousand. The balance of the refunded debt at August 31, 2025 is \$535,000.

A summary of changes in bond general long-term debt for the year ended August 31, 2025 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable Amounts Outstanding 9/1/2024	Outstanding	
					Issued	Retired
Unlimiting Tax Refunding Bonds-Series 2019	3.00%-4.00%	2,940,000	94,875	2,475,000	-	(165,000) 2,310,000
Unamortized Premium/Discount		337,791	-	209,621	-	(19,870) 189,751
			94,875	2,684,621	-	(184,870) 2,499,751

Bond debt service requirements are as follows:

Year Ended August 31	General Obligations			Total Requirements
	Principal	Interest		
2026	170,000	89,000		259,000
2027	180,000	82,000		262,000
2028	185,000	74,700		259,700
2029	190,000	67,200		257,200
2030	200,000	59,400		259,400
2031-2035	1,130,000	167,600		1,297,600
2036	255,000	5,100		260,100
Total	<u>2,310,000</u>	<u>545,000</u>		<u>2,855,000</u>

I. CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
Bonds	2,684,621	-	(184,870)	2,499,751	170,000
Time Warrants payable	921,972	135,000	(110,134)	946,838	112,123
Compensated Absences	<u>239,287</u>	<u>29,961</u>	<u>(295,004)</u>	<u>269,248</u>	<u>44,685</u>
Total Governmental Activities	<u>3,845,880</u>	<u>164,961</u>	<u>(295,004)</u>	<u>3,715,837</u>	<u>326,808</u>

The District has no unused lines of credit. No assets have been pledged as collateral for debt.

Compensated absences of \$269,248 is accrued at August 31, 2025. \$44,685 of this is included as a current liability due within one year.

J. DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies. 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.

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

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

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

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefit to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provision for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description 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, Title 8, Section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 thru 2025. Contribution rates can be found in the TRS 2023 ACFR, Note 11, on page 87.

The following table shows contribution rates by type of contributor for the fiscal years 2024 and 2025 and the contributions by type of contributions reported by TRS which were received by TRS during the TRS measurement year (FY 2024). The reported contributions from the member and the employers are included in the calculation of the district's proportionate share of the net pension liability.

	<u>Contribution Rates</u>	2024	2025
Member		8.25%	8.25%
Non-Employer Contributing Entity (State)		8.25%	8.25%
Employers		8.25%	8.25%
District's Measurement Year Employer Contributions			\$ 129,404
District's Measurement Year Member Contributions			\$ 191,613
District's Measurement Year NECE (State) Contributions			\$ 163,107

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

- During a new member's first 90 days of employment.
- When any or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

In addition to the employer contributions listed above, there is a surcharge and employer is subject to:

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

Net Pension Liability

Components of the net pension liability of the plan as of August 31, 2023 are disclosed below: (From TRS Annual Comprehensive Financial Report 2023, p. 89.)

Table 11.E.1: Net Pension Liability	
Components of Liability	Amount
Total Pension Liability	\$ 271,627,434,294
Less: Plan Fiduciary Net Position	(210,543,258,495)
Net Pension Liability	\$ 61,084,175,799
Net Position as Percentage of Total Pension Liability	77.51%

Actuarial Assumptions.

The total pension liability in the August 31, 2023 actuarial valuation was determined using the following actuarial assumptions: Actuarial Assumptions can be found in the 2023 TRS ACFR, Note 11, page 89.

Table 11.F.1: Actuarial Methods and Assumptions	
Component	Result
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% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection	
Period (100 years)	2123
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

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 TRS actuarial valuation report dated November 22, 2023.

Discount Rate. A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.50 percent of payroll in fiscal year 2024 increasing to 9.56 percent in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates 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 (see page 56 of the 2024 TRS ACFR) are summarized below:

Table 3.A.1: Asset Allocations

Asset Class	Target Allocation %**	Expected	
		Long-Term Expected Geometric Real Rate of Return***	Contribution to Long- Term Portfolio Returns
Global Equity			
USA	18.0 %	4.4 %	1.0 %
Non-US Developed	13.0	4.2	0.8
Emerging Markets	9.0	5.2	0.7
Private Equity*	14.0	6.7	1.2
Stable Value			
Government Bonds	16.0	1.9	0.4
Absolute Return*	0.0	3.0	0.0
Stable Value Hedge Funds	5.0	4.0	0.2
Real Return			
Real Estate	15.0	6.6	1.2
Energy, Natural Resources & Infrastructure	6.0	5.6	0.4
Commodities	0.0	2.5	0.0
Risk Parity			
Asset Allocation Leverage			
Cash	2.0	1.0	0.0
Asset Allocation Leverage	(6.0)	1.3	(0.1)
Inflation Expectation			2.4
Volatility Drag ****			0.7
Expected Return	100%		7.90%

*Absolute Return includes Credit Sensitive Investments

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

***Capital Market Assumptions come from Aon Hewitt (as of 12/31/23).

****The volatility drag results from the conversion between arithmetic and geometric mean return

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

	1% Decrease in Discount Rate (6.00%)	Current Single Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	\$ 1,474,587	\$ 999,979	\$ 505,119

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2025, MILLER GROVE INDEPENDENT SCHOOL DISTRICT reported a liability of \$999,979 for its proportionate share of the TRS's net pension liability.

This liability reflects a reduction for State pension support provided to MILLER GROVE INDEPENDENT SCHOOL DISTRICT. The amount recognized by MILLER GROVE INDEPENDENT SCHOOL 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 MILLER GROVE INDEPENDENT SCHOOL DISTRICT were as follows:

District's Proportionate share of the collective net pension liability	\$ 999,979
State's Proportionate share that is associated with the District	1,767,987
Total	<u>\$ 2,767,966</u>

The net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the 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 .00001637% which was an increase of 2.1% from its proportion measured as of August 31, 2023.

Changes In Actuarial Assumptions 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.

Changes in Benefits - The Texas 2023 Legislature passed legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September of 2023. The Legislature appropriated funds to pay for this one-time stipend so there will be no impact on the net pension liability of TRS. In addition, the Legislature also provided for a cost of living adjustment (COLA) to retirees which was approved during the November 2023 election which will be paid in January 2024. Therefore, this contingent liability was not reflected as of August 31, 2023.

For the year ended August 31, 2025, MILLER GROVE INDEPENDENT SCHOOL DISTRICT recognized pension expense of \$234,305 and revenue of \$163,107 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2025, MILLER GROVE INDEPENDENT SCHOOL DISTRICT reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 55,117	\$ 7,807
Changes in actuarial assumptions	\$ 51,631	\$ 6,922
Net Difference between projected and actual investment earnings	\$ 6,078	\$ -
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$ 109,563	\$ 2,340
Contributions paid to TRS subsequent to the measurement date [to be calculated by the employer]	\$ 129,404	\$ -
Total	\$ 351,793	\$ 17,069

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to pensions will be recognized by the district in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2026	40,251
2027	138,207
2028	36,087
2029	(14,645)
2030	5,421
Thereafter	-

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Summary of Significant Accounting Policies. 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.

Plan Description. The MILLER GROVE INDEPENDENT SCHOOL DISTRICT participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined benefit other post-employment (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at http://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2024 as presented in the TRS 2023 ACFR (p. 76) are as follows:

Table 9.E.1:Net OPEB Liability

Components to Liability	Amount
Total OPEB Liability	\$35,168,178,563
Less: Plan Fiduciary Net Position	(4,816,646,311)
Net OPEB Liability	\$30,351,532,252
Net Position as a Percentage of Total of OPEB Liability	13.79%

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

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

The premium rates for retirees are presented 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

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor as reported for the district by TRS for the TRS measurement year. The district and member contributions reported are included in the calculation of the district's proportionate share of the Net TRS-Care liability for the measurement period.

<u>Contribution Rates</u>		<u>2024</u>
Active employee		0.65%
Non-Employer Contributing Entity		1.25%
(State)		
Employers		0.75%
Federal/private Funding Remitted by		1.25%
Employers		
District's Measurement Year Employer Contributions		\$ 17,419
District's Measurement Year Member Contributions		\$ 15,097
District's Measurement Year NECE (State) Contributions		\$ 36,611

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$21.3 million in fiscal year 2023 provided by Rider 14 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

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 was determined using the following actuarial assumptions.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on 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.

Table 9.F.1: Actuarial Methods and Assumptions

Component	Result
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 Increase	2.95% to 8.95%, including inflation.
Ad Hoc Post-Employment Benefit Change	None

From 2024 TRS ACFR, Note 9, page 79.

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

Discount Rate. A single discount rate of 3.87 percent was used to measure the total OPEB liability. This was an increase of 0.22 percent in the discount rate since the previous year. The Discount Rate can be found in the 2024 TRS ACFR on page 80. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2024, using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.87%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.87%)	Current Single Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the Net OPEB Liability	\$ 1,159,873	\$ 976,324	\$ 816,402

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability	\$ 795,070	\$ 976,324	\$ 1,212,392

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2025, MILLER GROVE INDEPENDENT SCHOOL DISTRICT reported a liability of \$976,324 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 MILLER GROVE INDEPENDENT SCHOOL DISTRICT were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 976,324
State's proportionate share that is associated with the District	1,223,320
Total	<u>\$ 2,199,644</u>

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

At August 31, 2024 the employer's proportion of the collective net OPEB liability was 0.00003217% compared to the 0.00002758% as of August 31, 2023. This is an increase of 16%.

Changes in Actuarial Assumptions 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: These can be found in the 2024 TRS ACFR on page 80.

The single discount rate changed from 4.13 percent as of August 31, 2023 to 3.87 percent as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.

Changes in Benefit Terms: There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2025, MILLER GROVE INDEPENDENT SCHOOL DISTRICT recognized OPEB expense of (\$99,415) and revenue of \$36,611 for support provided by the State.

At August 31, 2025, MILLER GROVE INDEPENDENT SCHOOL 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	\$ 187,128	\$ 487,238
Changes in actuarial assumptions	124,958	318,563
Net Difference between projected and actual investment earnings	-	2,734
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	630,572	332,170
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	17,419	-
Total	\$ 960,077	\$ 1,140,705

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized by the district in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2026	(133,726)
2027	(89,507)
2028	(36,516)
2029	(22,533)
2030	(31,571)
Thereafter	115,806

L. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

Retiree Health Care Coverage

Plan Description. MILLER GROVE INDEPENDENT SCHOOL DISTRICT participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retire under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Texas Insurance Code Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by phoning the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet Website, www.trs.state.tx.us under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The Contribution Rate for the State was 1.25% for 2023, 2024 and 2025. The contribution rate for the district was 0.55% for each of these three years. The contribution rate for active employees was 0.65% of the district payroll for each of the three years. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribution 1.0 %.

Medicare Part D. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, 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, 2024, and 2023 the subsidy payments received by TRS-Care on-behalf of the District were \$14,751, \$13,421 and \$14,152 respectively. The information for the year ended August 31, 2025 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Active Employee Health Care Coverage

Plan Description. The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through BCBS and Express Scripts (pharmacy). TRS-Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

M. HEALTHCARE COVERAGE

During the year ended August 31, 2025 employees of Miller Grove Independent School District were covered by a health insurance plan with TRS Active-Care. The District paid premiums of \$225 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. The terms of coverage and premium costs are included in the contractual provisions.

Total Annual Premiums for Health Care 2024-2025	43,956
Less non-medical expenditures	<u>-</u>
Maintenance of effort for 2024-2025	<u>43,956</u>

N. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2025 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

FUND	STATE ENTITLEMENTS	FEDERAL GRANTS	OTHER	TOTAL
General	649,593	-	-	649,593
Special Revenue	50,823	53,631	-	104,454
Debt Service	-	-	-	-
Total	<u>700,416</u>	<u>53,631</u>	<u>-</u>	<u>754,047</u>

O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Nonmajor Governmental Funds	Other Major Governmental Funds	Total
Property Taxes	728,218	-	260,380	988,598
Penalties, Interest and Other Tax-related Income	62,877	-	22,053	84,930
Investment Income	82,382	1,117	32,064	115,563
Food Sales	-	19,256	-	19,256
Clean Bus Program Rebate	1,035,000	-	-	1,035,000
Other	<u>93,237</u>	<u>54,306</u>	<u>-</u>	<u>147,543</u>
Total	<u>2,001,714</u>	<u>74,679</u>	<u>314,497</u>	<u>2,390,890</u>

P. DEFERRED INFLOWS OF RESOURCES

In the government wide statements and the governmental fund financial statements the amount of property taxes receivable expected to be collected in the future is reflected as a deferred inflow of resources and will be recognized as such each year as it is collected.

Q. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2025, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

R. COMMITMENTS AND CONTINGENCIES

The District has no significant commitments or contingencies at August 31, 2025.

S. VALUE LIMITATION AGREEMENT PURSUANT TO CHAPTER 313 TEXAS TAX CODE

An application was submitted to the Texas Comptroller of Public Accounts from Stetson Renewable Holdings, LLC for an appraised value limitation with the District on May 27, 2022. Stetson Renewable Holdings, LLC is a solar energy project managed by Next Era Energy Resources. Next Era Energy Resources specializes in solar power plants. Once the application is approved the project will commence. Construction is to commence in 2026 with completion and placement in service expected in late 2027. The proposed total investment in the District is \$10 million. The District received \$75 thousand in the previous year from Next Era Energy Services and was paid to an attorney to prepare and submit the application.

T. LITIGATION

The District has no pending litigation at August 31, 2025.

U. SUBSEQUENT EVENT

Administration has evaluated subsequent events through October 30, 2025

V. PRIOR PERIOD ADJUSTMENT-COMPENSATED ABSENCES PAYABLE

GASB 101 was adopted this year to record compensated absences payable. The balance owed at September 1, 2024 of \$239,287 was recorded as a restatement of beginning net position on the government wide statement of activities. The adjustment needed to arrive at the August 31, 2025 balance of \$269,248 required an increase to expenses of \$29,961 on the statement of activities.

W. PRIOR PERIOD ADJUSTMENT-CAMPUS ACTIVITY FUNDS

The government wide statement of activities and the governmental fund financial statements reflect a prior period adjustment of \$144,548 to move what had been previously reflected as custodial funds to campus activity funds which are accounted for as a special revenue fund.

REQUIRED SUPPLEMENTAL INFORMATION

FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015
0.00001252%	0.00001261%	0.00001154%	0.00001984%	0.000012856%	0.000012583%	0.000011387%
\$ 318,948	\$ 675,169	\$ 600,043	\$ 659,644	\$ 411,071	\$ 475,429	\$ 402,515
886,835	1,840,788	1,632,090	1,528,413	845,081	926,652	987,578
<u>\$ 1,205,783</u>	<u>\$ 2,515,957</u>	<u>\$ 2,232,133</u>	<u>\$ 2,188,057</u>	<u>\$ 1,256,152</u>	<u>\$ 1,402,081</u>	<u>\$ 1,390,093</u>
\$ 2,517,321	\$ 2,247,727	\$ 2,121,397	\$ 1,867,004	\$ 1,652,144	\$ 1,483,780	\$ 1,344,542
12.67%	30.04%	28.29%	35.33%	24.88%	32.04%	29.93%
88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

2022	2021	2020	2019	2018	2017	2016
\$ 89,030 \$	71,224 \$	64,003 \$	56,308 \$	54,180 \$	45,118 \$	42,023
(89,030)	(71,224)	(64,003)	(56,308)	(54,180)	(45,118)	(42,023)
<hr/> \$ - \$	<hr/> - \$					
\$ 2,517,321 \$	2,247,727 \$	2,121,397 \$	1,867,004 \$	1,652,144 \$	1,483,780 \$	1,344,542
3.53%	3.17%	3.02%	3.02%	3.28%	3.04%	3.13%

FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
0.00002328%	0.000028786%	0.000021041%	0.000019765%	0.000029936%
\$ 898,213	\$ 1,094,267	\$ 995,037	\$ 986,883	\$ 1,301,824
1,203,405	1,470,433	1,322,180	1,405,073	1,152,527
<u>\$ 2,101,618</u>	<u>\$ 2,564,700</u>	<u>\$ 2,317,217</u>	<u>\$ 2,391,956</u>	<u>\$ 2,454,351</u>
\$ 2,517,321	\$ 2,247,727	\$ 2,121,397	\$ 1,867,004	\$ 1,652,144
35.68%	48.69%	46.90%	52.86%	78.80%
6.18%	4.99%	2.66%	1.57%	0.91%

	2022	2021	2020	2019	2018
\$	18,879 \$	16,857 \$	15,910 \$	14,002 \$	12,391
	(18,879)	(16,857)	(15,910)	(14,002)	(12,391)
\$	- \$	- \$	- \$	- \$	-
\$	2,517,321 \$	2,247,727 \$	2,121,397 \$	1,867,004 \$	1,652,144
	0.75%	0.75%	0.75%	0.75%	0.75%

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

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

The Texas 2023 Legislature passed legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September of 2024. The Legislature appropriated funds to pay for this one-time stipend so there will be no impact on the Net Pension Liability of TRS. In addition, the Legislature also provided for a cost of living adjustment (COLA) to retirees which was approved during the November 2024 election which will be paid January 2025. Therefore, this contingent liability was not reflected as of August 31, 2024.

Changes of Assumptions.

There were no changes in assumptions.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefits.

There were no changes in benefits.

Changes in Assumptions.

The single discount rate changed from 4.13 percent as of August 31, 2023 to 3.87 percent as of August 31, 2024. This change decreased the total OPEB liability.

COMBINING SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

282 ESSER III ARP Act	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ (2,477)	\$ (5,194)	\$ (38,679)	\$ 198,853	\$ 113,149
-	3,448	5,194	45,629	-	104,454
-	-	-	-	-	125
\$ -	\$ 971	\$ -	\$ 6,950	\$ 198,853	\$ 217,728
\$ -	\$ 870	\$ -	\$ 6,851	\$ -	\$ 17,091
-	101	-	99	-	1,020
-	971	-	6,950	-	18,111
-	-	-	-	-	764
-	-	-	-	\$ 198,853	\$ 198,853
-	-	-	-	\$ 198,853	\$ 199,617
\$ -	\$ 971	\$ -	\$ 6,950	\$ 198,853	\$ 217,728

282 ESSER III	289 Other Federal ARP Act	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 54,305	\$ 74,679
-	-	23,232	288,255	-	312,400
6,244	9,742	-	-	-	268,983
6,244	9,742	23,232	288,255	54,305	656,062
<hr/>					
3,197	9,742	23,232	147,304	-	271,110
-	-	-	46,087	-	46,087
-	-	-	-	-	239,066
-	-	-	30,983	-	30,983
3,047	-	-	17,668	-	20,715
-	-	-	46,213	-	46,213
6,244	9,742	23,232	288,255	-	654,174
<hr/>					
-	-	-	-	\$ 54,305	1,888
-	-	-	-	-	53,181
-	-	-	-	144,548	144,548
-	-	-	-	144,548	197,729
\$ -	\$ -	\$ -	\$ -	\$ 198,853	\$ 199,617

REQUIRED T.E.A. SCHEDULES

(10) Beginning Balance 9/1/2024	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2025	(99) Taxes Refunded Under Section 26.1115c
\$ 794	\$ 794	\$ 707	\$ 87	\$ -	\$ -	
24		24			-	
46		46			-	
-					-	
214		144	45		25	
440		348	92		-	
1,488		444	31		1,013	
12,357		1,382	424		10,551	
36,828		16,328	6,249		14,251	
1,035,962		708,795	253,452	(25,236)	48,479	
\$ 52,191	\$ 1,035,962	\$ 728,218	\$ 260,380	\$ (25,236)	\$ 74,319	
					\$ 18,827	

MILLER GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)		Variance With Final Budget Positive or (Negative)
	Original	Final			
REVENUES:					
5700 Total Local and Intermediate Sources	\$ 283,508	\$ 18,500	\$ 20,374	\$ 1,874	
5800 State Program Revenues	20,943	900	913	13	
5900 Federal Program Revenues	-	133,000	165,362	32,362	
5020 Total Revenues	<u>304,451</u>	<u>152,400</u>	<u>186,649</u>	<u>34,249</u>	
EXPENDITURES:					
Current:					
0035 Food Services	<u>253,967</u>	<u>253,967</u>	<u>239,066</u>	<u>14,901</u>	
6030 Total Expenditures	<u>253,967</u>	<u>253,967</u>	<u>239,066</u>	<u>14,901</u>	
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>50,484</u>	<u>(101,567)</u>	<u>(52,417)</u>	<u>49,150</u>	
OTHER FINANCING SOURCES (USES):					
7915 Transfers In	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>	
1200 Net Change in Fund Balances	<u>100,484</u>	<u>(51,567)</u>	<u>(52,417)</u>	<u>(850)</u>	
0100 Fund Balance - September 1 (Beginning)	<u>53,181</u>	<u>53,181</u>	<u>53,181</u>	<u>-</u>	
3000 Fund Balance - August 31 (Ending)	<u>\$ 153,665</u>	<u>\$ 1,614</u>	<u>\$ 764</u>	<u>\$ (850)</u>	

MILLER GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 283,508	\$ 283,508	\$ 314,497	\$ 30,989
5800 State Program Revenues	20,943	20,943	53,403	32,460
5020 Total Revenues	304,451	304,451	367,900	63,449
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	165,000	165,000	165,000	-
0072 Interest on Long-Term Liabilities	94,875	94,875	94,875	-
0073 Bond Issuance Cost and Fees	500	500	500	-
6030 Total Expenditures	260,375	260,375	260,375	-
1200 Net Change in Fund Balances	44,076	44,076	107,525	63,449
0100 Fund Balance - September 1 (Beginning)	567,400	567,400	567,400	-
3000 Fund Balance - August 31 (Ending)	\$ 611,476	\$ 611,476	\$ 674,925	\$ 63,449

MILLER GROVE INDEPENDENT SCHOOL DISTRICT
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2025

Section A: Compensatory Education Programs

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	190421
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30)	158497

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	5366
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PIC 25)	6887

REPORTS ON INTERNAL CONTROL & COMPLIANCE



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
Miller Grove Independent School District
Cumby, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sulphur Bluff Independent School District, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 30, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

October 30, 2025

915 N. Jefferson Ave. • P.O. Box 1217 • Mt. Pleasant, TX 75456
P. 903.572.6606 • F. 903.572.3751 • firm@awacpa.com

Member: American Institute of Certified Public Accountants • Texas State Society of Certified Public Accountants

MILLER GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2025

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the Miller Grove Independent School District was an unmodified opinion.
- b. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. NONE
- c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee. NONE
- d. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. NONE
- e. The type of report the auditor issued on compliance for major programs. N/A
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under "Uniform Guidance under section 200.516 Audit Findings paragraph (a)" as required by Title 2 U.S. code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). : N/A
- g. An identification of major programs: N/A
- h. The dollar threshold used to distinguish between Type A and Type B programs. N/A
- i. A statement as to whether the auditee qualified as a low-risk auditee. N/A

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

NONE

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

None

MILLER GROVE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2025

PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

N/A

STATUS OF PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

N/A

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

CORRECTIVE ACTION

N/A

The contact at the District is Dr. Linda Rankin at (903) 459-3288.

SCHOOLS FIRST QUESTIONNAIRE

EXHIBIT L-1

MILLER GROVE INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2025

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 Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If payments were not made or warrant hold not cleared within 30 days of when due, then payments are NOT timely.)	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, answer is still YES.)	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 and/or substantial doubt about the district's ability to continue as a going concern?	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 district's administration and school board members discuss any changes and/or impact to local, state, and federal funding 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.	0