

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

MEMPHIS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2025

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CERTIFICATE OF BOARD

Memphis Independent School District
Name of School District

Hall
County

096904
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved _____ disapproved for the year ended August 31, 2025 at a meeting of the Board of Trustees of such school district on the 15th of January, 2026.



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)

Denise Foster C.P.A.
Tracy Lambert C.P.A.
April Foard C.P.A.

330 Main, P.O. Box 7
Childress, Texas 79201 940-937-8681

Independent Auditor's Report

Board of Trustees
Memphis Independent School District
PO Box 460
Memphis, Texas 79278

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 Memphis Independent School District (the District) as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise 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, the major fund, and the aggregate remaining und information of the Memphis Independent School District as of August 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to my 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's 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 statement, 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 my 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, and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge we obtained during my 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 supplementary information (as listed in the table of contents) and schedule of expenditures of federal awards (SEFA) as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the required TEA schedules 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 my opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued my report dated January 15, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Foster, Lambert & Foard LLC". The signature is written in a cursive, flowing style.

Foster, Lambert & Foard, LLC
January 15, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS MEMPHIS INDEPENDENT SCHOOL DISTRICT

As management of the Memphis Independent School District, we offer readers of Memphis Independent School District's annual financial report this narrative overview and analysis of the District's financial performance during the fiscal year ended August 31, 2025. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the District exceed its liabilities at the close of the most recent fiscal year by \$4,821,988 (net position). Of this amount, \$(3,774,751) (unrestricted) may be used to meet the District's obligations.
- During the year, the District's total net position decreased by \$9,122. The District's expenses which totaled \$8,564,104 were less than the District's program revenues of \$2,011,454 and general revenues of \$6,543,528.
- The total cost of the District's programs decreased by \$323,196, or 3.64%, from the prior year mostly due to pension and OPEB adjustments.
- The District's total revenues decreased by \$696,911, or 7.53%. This decrease is due to insurance proceeds received in prior year.
- The governmental funds reported a fund balance this year of \$900,227, which is decrease of \$1,576,125 in comparison with the prior year amount.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$900,227 or 10.41% of the total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

All of the District's services are reported in the government-wide financial statements, including instruction, student support services, student transportation, general administration, school leadership, and food services. Property taxes, state and federal aid, and investment earnings finance most of the activities. Additionally, all capital and debt financing activities are reported here.

The government-wide financial statements are designed to provide readers a broad overview of the District's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The *statement of activities* details how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expense are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected property taxes and earned but unused vacation leave)

Fund Financial Statements

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

whole. Some funds are required by State law and/or bond covenants. Other funds may be established by the District to control and manage money for particular purposes or to evidence appropriate use of certain taxes, grants, and other special revenues.

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

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's short-term financing requirements.

Because the focus on *governmental funds* is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance. These reconciliations facilitate the comparison between *governmental funds* and *governmental activities*.

The District maintained multiple governmental funds in fiscal year 2021-22. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance for the General Fund which is considered to be major funds. Financial data for the other governmental funds are combined into a single, aggregated presentation.

Fiduciary Funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the District's fiduciary activities are reported in a separate statement of fiduciary net position.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Immediately following the *required supplementary information* is the *other supplementary information* which includes TEA required schedules.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's combined net position was \$4,821,988 at August 31, 2025. (See Table 1)

Table 1 - Net Position

	<u>2024</u>	<u>2025</u>
Assets:		
Current and other assets	\$ 2,826,235	\$ 1,709,753
Capital assets, net	<u>8,980,818</u>	<u>9,826,471</u>
Total assets	<u>11,807,053</u>	<u>11,536,224</u>
Deferred outflows of resources	<u>1,522,740</u>	<u>1,378,716</u>
Liabilities:		
Long-term debt	4,899,574	5,618,408
Current liabilities, less current debt	<u>331,136</u>	<u>794,776</u>
Total liabilities	<u>5,230,710</u>	<u>6,413,184</u>
Deferred inflows of resources	<u>2,208,860</u>	<u>1,679,768</u>
Net position:		
Invested in capital assets net of related debt	7,687,402	8,596,739
Unrestricted	<u>(1,797,179)</u>	<u>(3,774,751)</u>
Total net position	<u>\$ 5,890,223</u>	<u>\$ 4,821,988</u>

Investment in capital assets (e.g. land, buildings, furniture, and equipment less any related debt used to acquire those assets that is still outstanding) is \$8,596,739. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used liquidate these liabilities.

Change in net position. The District's total revenues, both program and general, were \$8,554,982. A significant portion, 21%, of the District's revenues comes from property taxes. 54% comes from unrestricted grants and contributions, including state aid formula grants, 23% comes from operating grants and contributions. Exhibited below in Table 2 are the District's revenues for the years ended August 31, 2024 and 2025 for the District's governmental activities.

Table 2 – District's Revenues

	<u>2024</u>	<u>Percent</u>	<u>2025</u>	<u>Percent</u>
Charges for services	\$ 17,529	.5%	\$ 20,283	.5%
Operating grants and contributions	1,629,197	18%	1,991,171	23%
Property taxes	1,764,198	19%	1,753,853	21%
Grants and contributions not restricted	4,878,331	53%	4,606,684	54%
Investment earnings	193,099	1.5%	84,031	1%
Miscellaneous	769,539	8%	98,960	.5%
Total Revenues	<u>\$ 9,251,893</u>	<u>100%</u>	<u>\$8,554,982</u>	<u>100%</u>

Exhibited below in Table 3 are the District's expenses for the year ended August 31, 2024 and 2025 for the District's governmental activities. The total cost of all programs and services was \$8,564,104. Instructional and related costs totaled 51% of these costs while student support was 18% and nonstudent support was 16%,

Table 3 – District’s Expenses

	<u>2024</u>	<u>Percent</u>	<u>2025</u>	<u>Percent</u>
Instructional and related	\$ 4,594,846	51%	\$4,386,384	51%
Leadership	597,103	7%	530,436	6%
Student support	1,580,546	18%	1,500,524	18%
Administrative support	508,738	6%	503,189	6%
Nonstudent support	1,351,725	15%	1,386,015	16%
Other	254,342	3%	257,556	3%
Total Expenses	<u>\$ 8,887,300</u>	<u>100%</u>	<u>\$8,564,104</u>	<u>100%</u>

Governmental Activities

Table 4 presents the various revenue categories and gross costs of each of the District’s functional areas for both the prior and current years. Following the table, we provide explanations for the significant or unusual fluctuations between the two years.

Table 4 - Changes in Net Position

	<u>2024</u>	<u>2025</u>	<u>\$ Change</u>
Revenues			
Program revenues			
Charges for services	\$ 17,529	\$ 20,283	\$ 2,754
Operating grants and contributions	1,629,197	1,991,171	361,974
General revenues			
Property taxes	1,764,198	1,753,853	(10,345)
Grants and contributions not restricted	4,878,331	4,606,684	(271,647)
Investment earnings	193,099	84,031	(109,068)
Miscellaneous	<u>769,539</u>	<u>98,960</u>	<u>(670,579)</u>
Total revenues	<u>9,251,893</u>	<u>8,554,982</u>	<u>(696,911)</u>
Expenses			
Instruction	4,466,583	4,265,326	(201,257)
Instructional resources and media services	81,953	87,598	5,645
Curriculum and instructional staff development	46,310	33,460	(12,850)
Instructional leadership	111,745	108,221	(3,524)
School leadership	485,358	422,215	(63,143)
Guidance, Counseling and evaluation services	231,862	223,779	(8,083)
Health services	81,403	76,215	(5,188)
Student transportation	314,971	299,122	(15,849)
Food services	472,890	372,411	(100,479)
Extracurricular activities	479,420	528,997	49,577
General administration	508,738	503,189	(5,549)
Plant maintenance and operations	1,008,432	1,041,689	33,257
Security and monitoring services	80,580	93,736	13,156
Data processing services	262,713	250,590	(12,123)
Debt service – interest on long term debt	61,112	62,560	1,448
Debt service – bond issuance cost	5,751	-	(5,751)
Payments related to shared service arrangements	108,885	116,495	7,610
Other governmental charges	<u>78,594</u>	<u>78,501</u>	<u>(93)</u>
Total expenses	<u>8,887,300</u>	<u>8,564,104</u>	<u>(323,196)</u>
Increase (decrease) in net position	<u>\$ 364,593</u>	<u>\$ (9,122)</u>	<u>\$ (373,715)</u>

- Instructional expenses decreased \$201,257 due to pension and OPEB adjustments.
- Miscellaneous revenues decreased \$670,579 due to insurance proceeds in prior year.

Table 5 presents the net cost of the District’s governmental functions (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by local tax dollars, state aid, and other miscellaneous general revenues.

Table 5 – Net Cost of Selected District Functions

	<u>2024</u>	<u>Percent</u>	<u>2025</u>	<u>Percent</u>
Instructional and related Leadership	\$ 3,619,729	50%	\$3,552,823	55%
Student support	565,178	8%	511,605	8%
Administrative support	1,077,540	15%	1,058,209	16%
Nonstudent support	487,347	7%	488,982	7%
Other	1,311,349	18%	1,142,374	17%
Total Expenses	179,431	2%	(201,343)	-3%
	<u>\$ 7,240,574</u>	<u>100%</u>	<u>\$6,552,650</u>	<u>100%</u>

Financial Analysis of the District’s Funds

As previously stated, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

Governmental Funds

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

As of August 31, 2025, the District’s governmental funds reported a combined ending fund balance of \$900,227, a decrease of \$1,576,125 from the previous year. Table 6 illustrates the fund balances of the governmental funds.

Table 6 – Governmental Funds – Fund Balances

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Restricted for:			
Federal/state grants	\$ -	\$ -	\$ -
Committed	-	-	-
Unassigned	900,227	-	900,227
Total Fund Balances	<u>\$ 900,227</u>	<u>\$ -</u>	<u>\$ 900,227</u>

General Fund

At the end of the current fiscal year, the ending fund balance for the General Fund was \$900,227 of which \$900,227 was unassigned. The total fund balance represents 10.41% of the total General Fund expenditures for the year ended August 31, 2025.

General Fund revenues totaled \$7,184,196, a decrease of \$930,878 or 11.47% from the preceding year. Some of the individual revenue categories had significant fluctuations as follows:

- Local program revenues decreased \$769,388 or 28.43% mostly due to insurance proceeds received in the prior year.

General Fund expenditures totaled \$8,647,000, a decrease of \$1,692,774 or 16.37% from the preceding year. The functional categories that changed the most were as follows:

- Extracurricular decreased \$114,975 due to purchase of a bus in prior year.
- Facilities acquisition and construction decreased \$1,632,102 due to field house construction in the prior year.

Other Governmental Funds

Other governmental funds consist of the remaining special revenue funds. The total ending fund balance for these combined is zero.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Including these adjustments, actual expenditures were \$46,693 below final budget amounts. All variances were the result of controlling expenses through the school year.

On the other hand, revenues were \$80,556 above the final budgeted amount, with federal revenues \$85,003 more than the District budget due to increased federal funding.

As noted, the original budget was amended throughout the year. Most budget line items in the original budget were not materially different than in the final adopted budget. The most notable exceptions were in instruction, general administration and facilities maintenance and operations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the District had invested in a broad range of capital assets totaling \$9,826,471, including land, equipment, buildings and vehicles. (See Table A-3). This amount represents a net increase (including additions and deductions) of \$620,310 or 10.76% less than last year.

Table 7 - Capital Assets, Net

	<u>2024</u>	<u>2025</u>
Land	\$ 115,031	\$ 115,031
Buildings and improvements, net	8,230,375	9,125,653
Furniture and equipment, net	<u>635,412</u>	<u>585,787</u>
Totals	<u>\$ 8,980,818</u>	<u>\$ 9,826,471</u>

Long-term Debt

At year-end, the District had debt on its capital lease payable, bonds payable and compensated absences as shows in Table A-4. More detailed information about the District’s debt is presented in the notes to the financial statements.

Table 8 – Long-Term Debt

	<u>2024</u>	<u>2025</u>
Notes payable	<u>\$ 1,246,871</u>	<u>\$ 1,731,255</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following indicators were taken into account when adopting the 2025-26 budget for the General Fund.

- Appraised value used for the 2024-25 budget preparation is up \$6.36 million from \$221.5 million in the prior year, an increase of 2.87%.
- The District's 2026 refined average daily attendance is expected to remain relatively the same from 2025.

The District has added no major new programs or initiatives to the 2026 budget and it is expected to be about the same as last year with the items above noted.

Revenues in the General Fund's 2025-26 budget are \$7,473,947, which is an increase from the final 2024-25 budget of \$7,103,640. The 2025-26 budget is increased due to increased funds for SB 22.

Expenditures in most budget categories are similar to the previous year, with the total expenditure budget for 2025-26 decreasing 13.10% from the final 2024-25 expenditure budget. The most significant changes are in the areas of capital outlay (938,265 decrease), extracurricular (84,338 decrease) and facilities maintenance (96,056 decrease).

If these estimates are realized, the District's General Fund's unassigned fund balance will remain relatively unchanged at August 31, 2026.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office or Superintendent's office at Memphis Independent School District, P.O. Box 460, Memphis, Texas 79245.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,055,520
1210 Property Taxes - Current	13,119
1220 Property Taxes - Delinquent	88,528
1230 Allowance for Uncollectible Taxes	(29,509)
1240 Due from Other Governments	571,050
1300 Inventories	11,045
Capital Assets:	
1510 Land	115,031
1520 Buildings, Net	9,125,653
1530 Furniture and Equipment, Net	585,787
1000 Total Assets	11,536,224
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	696,744
1706 Deferred Outflow Related to TRS OPEB	681,972
1700 Total Deferred Outflows of Resources	1,378,716
LIABILITIES	
2110 Accounts Payable	34,821
2140 Interest Payable	44,270
2160 Accrued Wages Payable	254,894
2190 Due to Student Groups	17,472
2200 Accrued Expenses	2,682
2300 Unearned Revenue	440,637
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	183,695
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	1,547,560
2540 Net Pension Liability (District's Share)	2,322,308
2545 Net OPEB Liability (District's Share)	1,564,845
2000 Total Liabilities	6,413,184
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	75,834
2606 Deferred Inflow Related to TRS OPEB	1,603,934
2600 Total Deferred Inflows of Resources	1,679,768
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	8,596,739
3900 Unrestricted	(3,774,751)
3000 Total Net Position	\$ 4,821,988

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

MEMPHIS 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	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 4,265,326	\$ 1,650	\$ 800,255	\$ (3,463,421)
12	Instructional Resources and Media Services	87,598	-	3,510	(84,088)
13	Curriculum and Instructional Staff Development	33,460	-	28,146	(5,314)
21	Instructional Leadership	108,221	-	3,573	(104,648)
23	School Leadership	422,215	-	15,258	(406,957)
31	Guidance, Counseling, and Evaluation Services	223,779	-	148,229	(75,550)
33	Health Services	76,215	-	3,130	(73,085)
34	Student (Pupil) Transportation	299,122	-	8,986	(290,136)
35	Food Services	372,411	3,119	255,343	(113,949)
36	Extracurricular Activities	528,997	15,514	7,994	(505,489)
41	General Administration	503,189	-	14,207	(488,982)
51	Facilities Maintenance and Operations	1,041,689	-	15,182	(1,026,507)
52	Security and Monitoring Services	93,736	-	224,155	130,419
53	Data Processing Services	250,590	-	4,304	(246,286)
72	Debt Service - Interest on Long-Term Debt	62,560	-	-	(62,560)
81	Capital Outlay	-	-	458,899	458,899
93	Payments Related to Shared Services Arrangements	116,495	-	-	(116,495)
99	Other Intergovernmental Charges	78,501	-	-	(78,501)
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 8,564,104	\$ 20,283	\$ 1,991,171	(6,552,650)
Data Control Codes	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes			1,753,853	
GC	Grants and Contributions not Restricted			4,606,684	
IE	Investment Earnings			84,031	
MI	Miscellaneous Local and Intermediate Revenue			98,960	
TR	Total General Revenues			6,543,528	
CN	Change in Net Position			(9,122)	
NB	Net Position - Beginning			5,890,223	
PA	Adjustments and Restatements			(1,059,113)	
NE	Net Position - Ending			\$ 4,821,988	

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

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

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,039,393	\$ 16,127	\$ 1,055,520
1210 Property Taxes - Current	13,119	-	13,119
1220 Property Taxes - Delinquent	88,528	-	88,528
1230 Allowance for Uncollectible Taxes	(29,509)	-	(29,509)
1240 Due from Other Governments	480,283	90,767	571,050
1260 Due from Other Funds	46,355	-	46,355
1300 Inventories	11,045	-	11,045
1000 Total Assets	<u>\$ 1,649,214</u>	<u>\$ 106,894</u>	<u>\$ 1,756,108</u>
LIABILITIES			
2110 Accounts Payable	\$ 11,814	\$ 23,007	\$ 34,821
2160 Accrued Wages Payable	231,871	23,023	254,894
2170 Due to Other Funds	-	46,356	46,356
2190 Due to Student Groups	5,646	11,826	17,472
2200 Accrued Expenditures	-	2,682	2,682
2300 Unearned Revenue	440,637	-	440,637
2000 Total Liabilities	<u>689,968</u>	<u>106,894</u>	<u>796,862</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	59,019	-	59,019
2600 Total Deferred Inflows of Resources	<u>59,019</u>	<u>-</u>	<u>59,019</u>
FUND BALANCES			
3600 Unassigned Fund Balance	900,227	-	900,227
3000 Total Fund Balances	<u>900,227</u>	<u>-</u>	<u>900,227</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,649,214</u>	<u>\$ 106,894</u>	<u>\$ 1,756,108</u>

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

MEMPHIS 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	\$	900,227
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. Capital assets at year-end consist of:		9,826,471
Gross capital assets	\$16,061,879	
Related accumulated depreciation	<u>6,235,408</u>	
2 Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		(1,731,255)
Time warrants	\$ 904,791	
Governmental capital note	280,672	
Compensated absences	<u>545,792</u>	
3 The District's net pension liability and related deferred outflows and inflows related to its proportionate share of the Teacher Retirement System pension and OPEB plans are not due and payable in the current period and are, therefore, not reported in the governmental funds financial statements. These items consist of :		(4,188,205)
Net pension liability	\$ 2,322,308	
Deferred outflows-pension related items	(696,744)	
Deferred inflows-pension related items	75,834	
Net OPEB liability	1,564,845	
Deferred outflows-OPEB related items	(681,972)	
Deferred inflows-OPEB related items	<u>1,603,934</u>	
4 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, interest expenditures are recorded only when due.		(44,270)
5 Property taxes receivable are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.		59,019
29 Net Position of Governmental Activities	\$	<u>4,821,988</u>

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

MEMPHIS 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	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 1,937,329	\$ 26,071	\$ 1,963,400
5800 State Program Revenues	4,916,864	689,329	5,606,193
5900 Federal Program Revenues	330,003	807,648	1,137,651
5020 Total Revenues	<u>7,184,196</u>	<u>1,523,048</u>	<u>8,707,244</u>
EXPENDITURES:			
Current:			
0011 Instruction	4,011,500	383,229	4,394,729
0012 Instructional Resources and Media Services	88,359	-	88,359
0013 Curriculum and Instructional Staff Development	5,314	28,146	33,460
0021 Instructional Leadership	112,032	-	112,032
0023 School Leadership	436,614	-	436,614
0031 Guidance, Counseling, and Evaluation Services	84,382	147,205	231,587
0033 Health Services	78,613	-	78,613
0034 Student (Pupil) Transportation	249,023	-	249,023
0035 Food Services	2,136	371,845	373,981
0036 Extracurricular Activities	393,874	22,890	416,764
0041 General Administration	516,181	-	516,181
0051 Facilities Maintenance and Operations	931,255	-	931,255
0052 Security and Monitoring Services	88,850	224,155	313,005
0053 Data Processing Services	385,781	-	385,781
Debt Service:			
0071 Principal on Long-Term Liabilities	61,409	-	61,409
0072 Interest on Long-Term Liabilities	64,835	-	64,835
Capital Outlay:			
0081 Facilities Acquisition and Construction	941,846	458,899	1,400,745
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	116,495	-	116,495
0099 Other Intergovernmental Charges	78,501	-	78,501
6030 Total Expenditures	<u>8,647,000</u>	<u>1,636,369</u>	<u>10,283,369</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,462,804)</u>	<u>(113,321)</u>	<u>(1,576,125)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	113,321	113,321
8911 Transfers Out (Use)	(113,321)	-	(113,321)
7080 Total Other Financing Sources (Uses)	<u>(113,321)</u>	<u>113,321</u>	<u>-</u>
1200 Net Change in Fund Balances	(1,576,125)	-	(1,576,125)
0100 Fund Balance - September 1 (Beginning)	2,476,352	-	2,476,352
3000 Fund Balance - August 31 (Ending)	<u>\$ 900,227</u>	<u>\$ -</u>	<u>\$ 900,227</u>

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

MEMPHIS 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	\$	(1,576,125)
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. The net difference between the two is as follows:</p>		
Capital outlay during the year	\$ 1,777,989	
Depreciation expense for the year	<u>359,835</u>	
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year long-term debt principal payments are summarized as follows:</p>		
Capital lease payable	\$ 48,759	
Loan payable	12,650	
Change in compensated absences	<u>(59,180)</u>	
<p>Because property taxes receivable will not be collected for several months after the District's fiscal year ends, they are no considered 'available' revenues and are deferred in the governmental funds. Deferred inflows decreased by this amount this year.</p>		
		(6,273)
<p>Interest is accrued on long-term debt in the government-wide financial statements, whereas interest is reported when due in the governmental fund financial statements. Accrued interest decreased by this amount this year.</p>		
		2,275
<p>The District participates in a defined benefit pension plan. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, pension expenses are recognized on an actuarial basis. Payments were less than the actuarial expense in the current year.</p>		
		(124,478)
<p>The District participates in the OPEB plan through TRS. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, OPEB expenses are recognized on an actuarial basis. Payments were more than the actuarial expense in the current year.</p>		
		275,096
Change in Net Position of Governmental Activities	\$	<u>(9,122)</u>

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

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

	Private Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 14,358	\$ 73,530
Total Assets	<u>14,358</u>	<u>\$ 73,530</u>
NET POSITION		
Restricted for Capital Projects	14,358	-
Restricted for Campus Activities	<u>-</u>	<u>73,530</u>
Total Net Position	<u>\$ 14,358</u>	<u>\$ 73,530</u>

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

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

	Private Purpose Trust Fund	Custodial Fund
ADDITIONS:		
Received from Student Groups	\$ -	\$ 146,210
Contributions, Gifts and Donations	13,788	-
Total Additions	<u>13,788</u>	<u>146,210</u>
DEDUCTIONS:		
Other Deductions	<u>46,721</u>	<u>130,561</u>
Total Deductions	<u>46,721</u>	<u>130,561</u>
Change in Fiduciary Net Position	(32,933)	15,649
Total Net Position September 1 (Beginning)	<u>47,291</u>	<u>57,881</u>
Total Net Position August 31 (Ending)	<u><u>\$ 14,358</u></u>	<u><u>\$ 73,530</u></u>

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

MEMPHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2025

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

MEMPHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2025

In addition, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds: The District accounts for activities funded with restricted or committed revenues in special revenue funds. Most federal and some state grant programs are accounted for in these funds, as well as the District's campus activity funds.

Fiduciary Funds:

Private-Purpose Trust Funds: The District accounts for donations for which the donor stipulated that both the principal and income may be used for purposes that benefit parties outside the District.

Custodial Funds: The District accounts for resources held for others in a custodial capacity in custodial funds. The District's Custodial Fund is the Student Activity Fund.

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

MEMPHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 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 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

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

At August 31, 2025, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$ 88,528
Allowances for uncollectible taxes	<u>(29,509)</u>
Net property taxes receivable	<u>\$ 59,019</u>

c. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Vehicles	10
Equipment	5-10

e. Deferred Outflows and Inflows of Resources

Deferred outflows of resources refers to the consumption of net assets that are applicable to a future reporting period. Deferred outflows of resources has a positive effect on net position, similar to assets. Notwithstanding the similarities, Concepts Statement 5 clearly establishes that deferred outflows of resources are not assets.

Deferred inflows of resources refers to the consumption of net assets that are applicable to a future reporting period. Deferred inflows of resources has a positive effect on net position, similar to assets. Notwithstanding the similarities, Concepts Statement 5 clearly establishes that deferred outflows of resources are not assets.

MEMPHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2025

f. Receivable and Payable Balances

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

There are no significant receivables, other than delinquent taxes receivable, which are not scheduled for collection within one year of year end. Of the \$88,528 outstanding at August 31, 2025, it is expected that the District will collect approximately \$58,000 during the upcoming year.

g. Interfund Activity

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

h. Use of Estimates

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

i. Data Control Codes

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

j. Net Position

In the government-wide financial statements, the difference between the District's total assets, deferred outflows of resources and liabilities and deferred inflows of resources represents net position. Net position displays the following three components:

Net Investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position.” It represents the amount available for future operations.

k. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

MEMPHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2025

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

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District’s Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

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

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

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

l. Net Position Flow Assumption

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

m. Fund Flow Assumptions

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

4. Pensions

The fiduciary net position of the 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 addition to/deductions from TRS’ fiduciary net position. Benefit payments

MEMPHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2025

(including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

5. Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas TRS Care (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.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

The District does not have any finance-related findings in the current year.

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

The District does not have any funds with a deficit fund balance or deficit fund net assets.

C. Deposits and Investments

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

Cash Deposits:

At August 31, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,141,909 and the bank balance was \$1,695,590. The District's cash deposits at August 31, 2025 and during the year ended August 31, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments:

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

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

MEMPHIS INDEPENDENT SCHOOL DISTRICT

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YEAR ENDED AUGUST 31, 2025

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

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

MEMPHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2025

D. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 115,031	\$ -	\$ -	\$ 115,031
Total capital assets not being depreciated	<u>115,031</u>	<u>-</u>	<u>-</u>	<u>115,031</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	12,226,187	1,734,328	893,492	13,067,023
Vehicles	1,439,238	43,661	-	1,482,899
Equipment	1,396,927	-	-	1,396,927
Total capital assets being depreciated	<u>15,062,352</u>	<u>1,777,989</u>	<u>893,492</u>	<u>15,946,849</u>
Less accumulated depreciation for:				
Buildings and improvements	3,995,812	266,549	320,991	3,941,370
Vehicles	1,076,823	55,885	-	1,132,708
Equipment	1,123,930	37,401	-	1,161,331
Total accumulated depreciation	<u>6,196,565</u>	<u>359,835</u>	<u>-</u>	<u>6,235,409</u>
Total capital assets being depreciated, net	<u>8,865,787</u>	<u>1,418,154</u>	<u>572,501</u>	<u>9,711,440</u>
Governmental activities capital assets, net	<u>\$ 8,980,818</u>	<u>\$ 1,418,154</u>	<u>\$ 572,501</u>	<u>\$ 9,826,471</u>

Depreciation was charged to functions as follows:

Instruction	\$ 23,120
Instructional Resources and Media Services	1,827
School Leadership	913
Student Transportation	57,707
Food Services	6,564
Extracurricular Activities	120,224
General Administration	263
Plant Maintenance and Operations	<u>149,217</u>
	<u>\$ 359,835</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

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

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Special Revenue Funds	<u>\$ 46,355</u>	Supplement other fund sources

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

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

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Other Governmental Funds	<u>\$ 113,321</u>	Fund operating deficits

MEMPHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2025

F. Long-term Obligations

1. Long-Term obligation Activity

Changes in long-term obligations for the year ended August 31, 2025, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Loan	\$ 953,549	\$ -	\$ 48,758	\$ 904,791	\$ 51,181
Loan	293,322	-	12,650	280,672	13,403
Compensated absences	<u>486,612</u>	<u>59,180</u>	<u>-</u>	<u>545,792</u>	<u>119,111</u>
Total	<u>\$ 1,733,483</u>	<u>\$ 59,180</u>	<u>\$ 61,408</u>	<u>\$ 1,731,255</u>	<u>\$ 183,695</u>

2. Loan

Time Warrants, Series 2022 in the amount of \$1,000,000 were issued December 16, 2022 with Government Capital Corporation for construction of a new fieldhouse. The warrants are to be paid in annual payments of \$96,141 including both principal and interest for a period of 15 years, with the first payment due December 2023, and the final payment due December 2037. The contract carries an interest rate of 4.969%.

The District obtained a loan of \$293,322 from Government Capital Corporation for the purpose of financing furniture, fixtures and equipment for the fieldhouse on November 30, 2023. The note is to be paid in annual payments of \$30,103 including both principal and interest for a period of 15 years, with the first payment due November 2024, and the final payment due November 2038. The note carries an interest rate of 5.95%.

Debt service requirements on the loans at August 31, 2025, are as follows:

Year Ending August 31,	Principal	Interest	Total
2025	\$ 64,584	\$ 61,659	\$ 126,243
2026	67,925	58,318	126,243
2027	71,439	54,804	126,243
2028	75,137	51,106	126,243
2029	79,027	47,216	126,243
2030-34	460,956	170,259	631,215
2035-38	<u>366,395</u>	<u>42,437</u>	<u>408,832</u>
Total	<u>\$ 1,185,463</u>	<u>\$ 485,799</u>	<u>\$ 1,671,262</u>

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2025, the District purchased commercial insurance to cover federal 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.

MEMPHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2025

H. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the TRS. TRS' defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 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.

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS' fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.trs.state.tx.us/about/documents/cafr.pdf#CARF ; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512)542-6592.

3. Benefits Provided

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

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

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution, which requires the Texas legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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 year 2020 thru 2025.

MEMPHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2025

	Contribution Rates	
	<u>2024</u>	<u>2025</u>
Member	8.25%	8.25%
Non-Employer Contributing Entity (NECE – State)	8.25%	8.25%
Employers	8.25%	8.25%
District’s Member Contributions	\$ 436,132	\$ 425,190
Non-Employer Contributing Entity (NECE – State)	\$ 281,747	\$ 293,547
District’s Employer Contributions	\$ 214,246	\$ 226,918

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

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

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

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- All public schools, charter schools, and regional education service centers must contribute 1.7% of the member’s salary beginning in fiscal year 2022, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

MEMPHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2025

5. Actuarial Assumptions

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

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.00%
Long-term Expected Rate of Return*	7.00%
Municipal Bond Rate as of August 2024	3.87%, 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".
Inflation	2.30%
Salary Increases	2.95% to 8.95%
Ad hoc Post Employment Benefit Changes	None
Benefit Changes during the year	None

The actuarial methods and assumptions used in the determinations of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023.

6. Discount Rate

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

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

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2024 are summarized below:

MEMPHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2025

Asset Class (4)	Target Allocation % (1)	Long-term Expected Geometric Real rate of Return (2)	Expected Contribution to Long-term Portfolio Returns
Global Equity			
U.S.	18.0%	4.4%	1.0%
Non-U.S. Developed	13.0%	4.2%	0.8%
Emerging Markets	9.0%	5.2%	0.7%
Private Equity	14.0%	6.7%	1.2%
Stable Value			
Government Bonds	16.0%	1.9%	0.4%
Absolute Return	0.0%	4.0%	0.0%
Stable Value Hedge Funds	5.0%	3.0%	0.2%
Real Return			
Real Estate	15.0%	6.6%	1.2%
Energy & Natural Resources	6.0%	5.6%	0.4%
Commodities	0.0%	2.5%	0.0%
Risk Parity			
Risk Parity	8.0%	4.0%	0.4%
Leverage			
Cash	2.0%	1.0%	0.0%
Asset Allocation Leverage	<u>-6.0%</u>	<u>1.3%</u>	-0.1%
Inflation Expectation			2.4%
Volatility Drag (3)			<u>-0.7%</u>
Total	<u>100%</u>		<u>7.90%</u>

- (1) Target allocations are based on the FY 2024 policy model.
- (2) Capital Market Assumptions come from Aon Hewitt (as of 8/31/2023).
- (3) The volatility drag results from the conversion between arithmetic and geometric mean returns.
- (4) Absolute Return includes Credit Sensitive Investments.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net Pension liability	\$ 3,709,315	\$ 2,322,308	\$ 1,173,075

MEMPHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2025

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

At August 31, 2025, the District reported a liability of \$2,322,308 for its proportionate share of the TRS’s net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District’s proportionate share of the collective net pension liability	\$ 2,322,308
State’s proportionate share of the net pension liability associated with the District	<u>3,181,893</u>
Total	<u>\$ 5,504,201</u>

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

At August 31, 2024, the District’s proportion of the collective net pension liability was .0038018167%, which was an increase of .0001594369% from its proportion measured as of August 31, 2023.

9. Changes Since the Prior Actuarial Valuation

The actuarial assumptions and methods have been modified since the determination of the prior year’s Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%.

For the year ended August 31, 2025, the District recognized pension expense of \$731,685 and revenue of \$380,289 for support provided by the State.

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

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$ 128,002	\$ 18,131
Changes in actuarial assumptions	119,906	16,075
Difference between projected and actual investment earnings	14,116	-
Changes in proportion and differences between the District’s Contributions and the proportionate share of contributions	207,802	41,628
District contributions paid to TRS subsequent to the measurement date	<u>226,918</u>	<u>-</u>
Total	<u>\$ 696,744</u>	<u>\$ 75,834</u>

The \$226,918 reported as deferred outflows of resources related to pensions resulting from District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year Ended <u>August 31</u>	Pension Expense <u>Amount</u>	Balance of Deferred Outflows <u>(Deferred Inflows)</u>
2026	\$ 40,350	\$ 353,642
2027	\$ 293,897	59,745
2028	\$ 74,115	(14,370)
2029	\$ (31,700)	17,330
2030	\$ 17,330	-
Thereafter	\$ -	-

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan 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.

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all 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 Standards, 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 are reflected in the following table.

	<u>TRS-Care Monthly Premium Rates</u>	
	<u>Medicare</u>	<u>Non-Medicare</u>
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

MEMPHIS INDEPENDENT SCHOOL DISTRICT

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4. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and 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 .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than .25% or not more than .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.

	Contribution Rates	
	<u>2024</u>	<u>2025</u>
Member	.65%	.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	.75%	.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Employer contributions	\$ 46,832	\$ 45,661
Member contributions	\$ 34,363	\$ 33,501
Measurement year NECE on-behalf contributions	\$ 54,409	\$ 58,680

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

5. Actuarial Assumptions

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. 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 the mortality projection scale MP-2021.

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Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% after age 65. 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases	2.95% to 8.95%, including inflation
Healthcare Trend Rates	7.75% for Medicare retirees and 7.00% for non-Medicare retirees. The initial prescription drug trend was 7.75% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.
Ad hoc post-employment benefit changes	None

6. Discount Rate

A single discount rate of 3.87% was used to measure the total OPEB liability. There was a decrease of 1.96% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the nonemployer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2023 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease	Current Discount Rate	1% Increase
	2.87%	3.87%	4.87%
District's proportionate share of the net OPEB liability	\$ 1,859,108	\$ 1,564,845	\$ 1,327,075

MEMPHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2025

The following schedule 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 ratio that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District’s proportionate share of the current healthcare cost trend rate	\$ 1,274,334	\$ 1,564,845	\$ 1,943,409

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

At August 31, 2025, the District reported a liability of \$1,564,845 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for the State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s proportionate share of the collective net OPEB liability	\$ 1,564,845
State’s proportionate share that is associated with the District	<u>1,960,729</u>
Total	<u>\$ 3,525,574</u>

The net OPEB liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB 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 District's proportion of the collective net OPEB liability was 0.0051557349%, which was a decrease of .0000422262% from its proportion as of August 31, 2023.

Changes Since the Prior Actuarial Valuation

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

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

Changes of Benefit Terms Since the Prior Measurement Date

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

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

MEMPHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2025

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual actuarial experience	\$ 299,928	\$ 780,942
Changes in actuarial assumptions	200,282	510,591
Difference between projected and actual investment earnings	-	4,382
Changes in proportion and differences between the District's Contributions and the proportionate share of contributions	136,101	308,019
District contributions paid to TRS subsequent to the measurement date	<u>45,661</u>	<u>-</u>
Total	<u>\$ 681,972</u>	<u>\$ 1,603,934</u>

\$45,661 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the plan year ending August 31, 2025. The remaining net amounts of the District's balances of deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended August 31</u>	<u>OPEB Expense Amount</u>	<u>Balance of Deferred Outflows (Deferred Inflows)</u>
2026	\$ (270,166)	\$ (697,457)
2027	\$ (199,292)	(498,165)
2028	\$ (208,491)	(289,674)
2029	\$ (186,053)	(103,621)
2030	\$ (87,209)	(16,412)
Thereafter	\$ (16,412)	-

For the year ended August 31, 2025, the District recognized OPEB expense of \$(484,294) and revenue of \$(254,859) for support provided by the State.

9. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006 established prescription drug coverage for Medicare beneficiaries know as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payment have been recognized as equal revenues and expenditures by the District in the amount of \$32,421, \$25,890, and \$26,129 for the years ended August 31, 2025, 2024, and 2023 respectively.

J. Commitments and Contingencies

1. Contingencies

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

MEMPHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2025

2. Litigation

We know of no pending litigation as of the audit date.

3. Operating Leases

The District has various commitments under operating leases at August 31, 2025. The amount of the related expenditures and commitments are considered immaterial to the financial statements.

K. Shared Services Arrangements

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

- Benjamin ISD
- Chillicothe ISD
- Crowell ISD
- Memphis ISD
- Quannah ISD

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

L. Health Care Coverage

The District contributed \$225 per month per employee to a health insurance plan covered by a licensed insurer. This paid partial coverage for the employee. At their option the employee may, through payroll deduction, make additional contributions to cover dependent coverage.

M. Prior Period Adjustment

The District implemented GASB Statement No 101, Compensated Absences. As a result, the prior year net position was decreased \$486,612 due to implementation. In addition, a prior period adjustment was needed to remove impaired assets for which insurance proceeds were received in the prior year. This adjustment decreased the prior yet net position by \$572,501.

N. Expenditures in Excess of Budgeted Amounts

During the year ended August 31, 2025, the District had expenditures in excess of the budgeted amounts in the General fund in the following function and amount:

Data processing services	\$ 82,467
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**REQUIRED SUPPLEMENTARY
INFORMATION**

MEMPHIS 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	\$ 1,957,300	\$ 1,957,300	\$ 1,937,329	\$ (19,971)
5800	State Program Revenues	4,851,340	4,901,340	4,916,864	15,524
5900	Federal Program Revenues	160,000	245,000	330,003	85,003
5020	Total Revenues	6,968,640	7,103,640	7,184,196	80,556
EXPENDITURES:					
Current:					
0011	Instruction	3,872,198	4,017,198	4,011,500	5,698
0012	Instructional Resources and Media Services	84,432	89,432	88,359	1,073
0013	Curriculum and Instructional Staff Development	7,050	6,050	5,314	736
0021	Instructional Leadership	113,759	112,759	112,032	727
0023	School Leadership	437,879	438,879	436,614	2,265
0031	Guidance, Counseling, and Evaluation Services	88,651	85,651	84,382	1,269
0033	Health Services	73,810	79,810	78,613	1,197
0034	Student (Pupil) Transportation	232,627	250,627	249,023	1,604
0035	Food Services	2,268	3,768	2,136	1,632
0036	Extracurricular Activities	380,492	395,492	393,874	1,618
0041	General Administration	483,826	518,826	516,181	2,645
0051	Facilities Maintenance and Operations	846,892	934,892	931,255	3,637
0052	Security and Monitoring Services	90,304	90,304	88,850	1,454
0053	Data Processing Services	306,314	303,314	385,781	(82,467)
Debt Service:					
0071	Principal on Long-Term Liabilities	61,409	61,409	61,409	-
0072	Interest on Long-Term Liabilities	66,591	66,591	64,835	1,756
Capital Outlay:					
0081	Facilities Acquisition and Construction	958,265	945,265	941,846	3,419
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	135,040	120,040	116,495	3,545
0099	Other Intergovernmental Charges	80,000	80,000	78,501	1,499
6030	Total Expenditures	8,321,807	8,600,307	8,647,000	(46,693)
1100	Excess (Deficiency) of Revenues Over Expenditures	(1,353,167)	(1,496,667)	(1,462,804)	33,863
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(105,000)	(115,000)	(113,321)	1,679
1200	Net Change in Fund Balances	(1,458,167)	(1,611,667)	(1,576,125)	35,542
0100	Fund Balance - September 1 (Beginning)	2,476,352	2,476,352	2,476,352	-
3000	Fund Balance - August 31 (Ending)	\$ 1,018,185	\$ 864,685	\$ 900,227	\$ 35,542

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

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
District's Proportion of the Net Pension Liability (Asset)	0.003801817%	0.00364238%	0.003398669%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,322,308	\$ 2,501,963	\$ 2,017,703
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	3,181,893	3,765,059	3,521,021
Total	<u>\$ 5,504,201</u>	<u>\$ 6,267,022</u>	<u>\$ 5,538,724</u>
District's Covered Payroll	\$ 5,286,443	\$ 5,005,272	\$ 4,744,712
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	43.93%	49.99%	42.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.51%	73.15%	75.62%

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

<u>FY 2022</u> <u>Plan Year 2021</u>	<u>FY 2021</u> <u>Plan Year 2020</u>	<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>
0.003112542%	0.003101555%	0.00356522%	3,274,155.00%	0.003741697%	0.003744713%	0.0040023%
\$ 792,654	\$ 1,661,129	\$ 1,853,313	\$ 1,802,174	\$ 1,196,393	\$ 1,415,071	\$ 1,414,760
1,616,324	3,379,358	3,005,403	3,311,582	1,854,233	2,342,819	2,177,157
<u>\$ 2,408,978</u>	<u>\$ 5,040,487</u>	<u>\$ 4,858,716</u>	<u>\$ 8,387,911</u>	<u>\$ 3,050,626</u>	<u>\$ 3,757,890</u>	<u>\$ 3,591,917</u>
\$ 4,500,820	\$ 4,384,243	\$ 4,049,537	\$ 3,775,139	\$ 3,737,129	\$ 3,752,013	\$ 3,573,611
17.61%	37.89%	45.77%	47.74%	32.01%	37.71%	39.59%
88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

MEMPHIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contractually Required Contribution	\$ 226,918	\$ 214,246	\$ 187,227
Contribution in Relation to the Contractually Required Contribution	(226,918)	(214,246)	(187,227)
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's Covered Payroll	\$ 5,153,825	\$ 5,286,443	\$ 5,005,272
Contributions as a Percentage of Covered Payroll	4.40%	4.05%	3.74%

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

	2022	2021	2020	2019	2018	2017	2016
\$	158,592	\$ 132,827	\$ 127,971	\$ 124,334	\$ 109,786	\$ 123,130	\$ 118,979
	(158,592)	(132,827)	(127,971)	(124,334)	(109,786)	(123,130)	(118,979)
\$	\$	\$	\$	\$	\$	\$	\$
\$	4,744,712	\$ 4,500,820	\$ 4,384,243	\$ 4,019,537	\$ 3,775,139	\$ 3,752,013	\$ 3,573,611
	3.34%	2.95%	2.92%	3.09%	2.91%	3.28%	3.33%

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

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.005155735%	0.005197961%	0.005340049%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 1,564,845	\$ 1,150,740	\$ 1,278,622
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	1,960,729	1,388,545	1,559,717
Total	<u>\$ 3,525,574</u>	<u>\$ 2,539,285</u>	<u>\$ 2,838,339</u>
District's Covered Payroll	\$ 5,286,443	\$ 5,005,272	\$ 4,744,712
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	29.60%	22.99%	26.95%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.70%	14.94%	11.52%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. For example, the amounts for FY 2025 are for the measurement date of August 31, 2024, etc.

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

FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
0.005077141%	0.005166236%	0.005763656%	0.005616526%	0.00581149%
\$ 1,958,480	\$ 1,963,919	\$ 2,725,701	\$ 2,804,383	\$ 2,527,199
2,623,927	2,639,037	3,621,850	3,115,330	2,791,147
<u>\$ 4,582,407</u>	<u>\$ 4,602,956</u>	<u>\$ 6,347,551</u>	<u>\$ 5,919,713</u>	<u>\$ 5,318,346</u>
\$ 4,500,820	\$ 4,384,243	\$ 4,042,537	\$ 3,775,139	\$ 3,737,129
43.51%	44.79%	67.43%	74.29%	67.62%
6.18%	4.99%	2.66%	1.57%	0.91%

MEMPHIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contractually Required Contribution	\$ 45,661	\$ 46,832	\$ 45,091
Contribution in Relation to the Contractually Required Contribution	(45,661)	(46,832)	(45,091)
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's Covered Payroll	\$ 5,153,825	\$ 5,286,443	\$ 5,005,272
Contributions as a Percentage of Covered Payroll	0.89%	0.89%	0.90%

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

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

	2022	2021	2020	2019	2018
\$	43,860	\$ 39,664	\$ 39,267	\$ 40,916	\$ 38,728
	(43,860)	(39,664)	(39,267)	(40,913)	(38,728)
\$	\$	\$	\$	\$	\$
\$	4,744,712	\$ 4,500,820	\$ 4,384,243	\$ 4,042,537	\$ 3,775,139
	0.92%	0.88%	0.90%	1.01%	1.03%

MEMPHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED AUGUST 31, 2025

A. Budget

1. Basis of Budgeting

The Memphis Independent School District's (District) budget for the General Fund is prepared and presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

2. Budget Process

a. Budgeting

Annual budgets are legally adopted for the General Fund and Food Service Fund. The annual budget is presented in the accompanying schedule for the General Fund. The following procedures are used in establishing the budgetary data reflected in that schedule:

- Prior to August 20 of the preceding fiscal year, 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.
- A meeting of the Board is then called for the purpose of adopting the proposed budget after then days' public notice of the meeting has been given.
- Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The budget is prepared and controlled by the budget officer at the revenue object and expenditure function level.

The official budget for the General Fund was prepared and adopted through Board resolution before August 31, 2024. The administration performs budget reviews by which budget requirements are re-evaluated and revisions recommended to the Board. The Board may approve amendments to the budget, which are required when a change is made to the functional expenditure categories or revenue object accounts, as defined by the Texas Education Agency. Total expenditures may exceed total appropriations, as amended, by fund as long as those expenditures are certified as being available by the budget officer to the Board. The budget amounts reflected in the accompanying schedule represent final amended budget amounts as approved by the Board.

b. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in order to receive that portion of the applicable appropriation, is used in all governmental funds. There are no outstanding encumbrances at year-end as all encumbrances at that date are canceled and re-appropriated in the subsequent fiscal year's budget to provide for their liquidation.

MEMPHIS INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED AUGUST 31, 2025

B. Defined Benefit Pension Plan

1. Changes of benefit terms

The Texas 2023 Legislature passed Senate Bill 10 (SB10), 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 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 Sessions 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.

2. Changes of assumptions

There was no changes in assumptions.

C. OPEB Plan

1. Change of Benefit Terms

There no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

2. Change of Assumptions

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

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

COMBINING AND OTHER STATEMENTS

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

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	225 IDEA - Part B Preschool
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240 Due from Other Governments	10,911	17,164	601	1,233
1000 Total Assets	<u>\$ 10,911</u>	<u>\$ 17,164</u>	<u>\$ 601</u>	<u>\$ 1,233</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	4,853	5,013	-	1,104
2170 Due to Other Funds	5,494	11,568	601	-
2190 Due to Student Groups	-	-	-	-
2200 Accrued Expenditures	564	583	-	129
2000 Total Liabilities	<u>10,911</u>	<u>17,164</u>	<u>601</u>	<u>1,233</u>
4000 Total Liabilities and Fund Balances	<u>\$ 10,911</u>	<u>\$ 17,164</u>	<u>\$ 601</u>	<u>\$ 1,233</u>

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA V, B,2 Rural & Low Income	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 4,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,826	\$ 16,127
28,775	1,849	14,200	5,830	10,204	-	-	90,767
<u>\$ 33,076</u>	<u>\$ 1,849</u>	<u>\$ 14,200</u>	<u>\$ 5,830</u>	<u>\$ 10,204</u>	<u>\$ -</u>	<u>\$ 11,826</u>	<u>\$ 106,894</u>
\$ 23,007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,007
9,017	1,656	-	1,380	-	-	-	23,023
-	-	14,200	4,289	10,204	-	-	46,356
-	-	-	-	-	-	11,826	11,826
1,052	193	-	161	-	-	-	2,682
<u>33,076</u>	<u>1,849</u>	<u>14,200</u>	<u>5,830</u>	<u>10,204</u>	<u>-</u>	<u>11,826</u>	<u>106,894</u>
<u>\$ 33,076</u>	<u>\$ 1,849</u>	<u>\$ 14,200</u>	<u>\$ 5,830</u>	<u>\$ 10,204</u>	<u>\$ -</u>	<u>\$ 11,826</u>	<u>\$ 106,894</u>

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

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	198,342	263,676	7,088	14,749
5020 Total Revenues	198,342	263,676	7,088	14,749
EXPENDITURES:				
Current:				
0011 Instruction	198,242	95,513	-	14,749
0013 Curriculum and Instructional Staff Development	100	28,046	-	-
0031 Guidance, Counseling, and Evaluation Services	-	140,117	7,088	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	198,342	263,676	7,088	14,749
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA V, B,2 Rural & Low Income	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 3,181	\$ -	\$ -	\$ -	\$ -	\$ -	22,890	\$ 26,071
681	-	-	-	10,594	678,054	-	689,329
254,662	30,184	15,053	23,894	-	-	-	807,648
258,524	30,184	15,053	23,894	10,594	678,054	22,890	1,523,048
-	30,184	15,053	18,894	10,594	-	-	383,229
-	-	-	-	-	-	-	28,146
-	-	-	-	-	-	-	147,205
371,845	-	-	-	-	-	-	371,845
-	-	-	-	-	-	22,890	22,890
-	-	-	5,000	-	219,155	-	224,155
-	-	-	-	-	458,899	-	458,899
371,845	30,184	15,053	23,894	10,594	678,054	22,890	1,636,369
(113,321)	-	-	-	-	-	-	(113,321)
113,321	-	-	-	-	-	-	113,321
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

T.E.A. REQUIRED SCHEDULES

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

Last 10 Years Ended August 31	Tax Rates		(3) Assessed/Appraised Value for School Tax Purposes
	(1) Maintenance	(2) Debt Service	
2016 and prior years	Various	Various	\$ Various
2017	1.040000		159,680,865
2018	1.040000		155,411,513
2019	1.170000		162,349,060
2020	1.068300		170,766,265
2021	0.976600		194,595,842
2022	0.960300		204,270,124
2023	0.954300		206,228,230
2024	0.795800		222,663,232
2025 (School year under audit)	0.795800		220,648,027
1000 TOTALS			
8000 Total Taxes Refunded Under Section 26.1115, Tax Code			

(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
\$ 11,488	\$	\$ 134	\$	\$ (607)	\$ 10,747	
452		3		(98)	351	
1,242		167		(263)	812	
1,676		57		(456)	1,163	
2,468		334		(403)	1,731	
9,149		373		(358)	8,418	
5,446		2,069		(433)	2,944	
23,880		10,113		(355)	13,412	
42,137		28,163		(466)	13,508	
	1,755,917	1,718,713		(1,762)	35,442	
<u>\$ 97,938</u>	<u>\$ 1,755,917</u>	<u>\$ 1,760,126</u>	<u>\$ -</u>	<u>\$ (5,201)</u>	<u>\$ 88,528</u>	

\$ _____

MEMPHIS 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	\$ 3,000	\$ 3,000	\$ 3,181	\$ 181
5800 State Program Revenues	13,558	13,558	681	(12,877)
5900 Federal Program Revenues	241,602	257,602	254,662	(2,940)
5020 Total Revenues	258,160	274,160	258,524	(15,636)
EXPENDITURES:				
Current:				
0035 Food Services	363,160	389,160	371,845	17,315
6030 Total Expenditures	363,160	389,160	371,845	17,315
1100 Excess (Deficiency) of Revenues Over Expenditures	(105,000)	(115,000)	(113,321)	1,679
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	105,000	115,000	113,321	(1,679)
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

MEMPHIS 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
<hr/>		
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
<hr/>		
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	411,334
<hr/>		
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30)	359,806
<hr/>		

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
<hr/>		
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
<hr/>		
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	33,101
<hr/>		
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PIC 25)	36,656
<hr/>		

REPORTS ON
INTERNAL CONTROLS, COMPLIANCE
AND
FEDERAL AWARDS

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
Memphis Independent School District
PO Box 460
Memphis, Texas 79245

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Memphis Independent School District (District) as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise Memphis Independent School District's basic financial statements and have issued our report thereon dated January 15, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for 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 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.

Respectfully submitted,

A handwritten signature in black ink that reads "Foster. Lambert : Board LLC". The signature is written in a cursive, flowing style.

Foster & Lambert, L.L.C.
January 15, 2026

Denise Foster C.P.A.
Tracy Lambert C.P.A.
April Foard, C.P.A.

330 Main, P.O. Box 7
Childress, Texas 79201 940-937-8681

Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Memphis Independent School District
PO Box 460
Memphis, Texas 79245

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Memphis Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Memphis Independent School District's major federal programs for the year ended August 31, 2025. Memphis Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Memphis Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Memphis Independent School District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Memphis Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Memphis Independent School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Memphis Independent School District's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Memphis Independent School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Memphis Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Memphis Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Memphis Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Foster, Lambert & Foard LLC

Foster, Lambert & Foard, LLC
January 15, 2026

MEMPHIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2025

I. Summary of the Auditor’s Results:

Financial Statements:

- Type of auditor’s report issued: **Unmodified.**
- Internal control over financial reporting:
 - Material weakness(es) identified: **None.**
 - Significant deficiencies(s) identified that are not considered to be material weaknesses: **None reported.**
- Noncompliance material to financial statements noted: **None.**

Federal Awards:

- Internal control over major programs:
 - Material weakness(es) identified: **None.**
 - Significant deficiencies(s) identified that are not considered to be material weaknesses: **None reported.**
- Type of auditor’s report issued on compliance for major programs: **Unmodified.**
- Audit findings disclosed that are required to be reported under CFR Section 200.516(a): **None.**
- Identification of major programs:
 - 10.553 School Breakfast**
 - 10.555 School Lunch Program**
 - 84.010 ESEA Title I Part A**
- Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000.**
- Auditee qualification as a low-risk auditee: **No.**

II. Financial Statement Findings:

None.

III. Federal Award Findings and Questioned Costs:

None.

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

There were no prior year findings.

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

There were no current year findings.

MEMPHIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2025

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	25610101096904	\$ 258,080
ESEA, Title I, Part A - Improving Basic Programs	84.010A	26610101096904	5,597
Total Assistance Listing Number 84.010			263,677
ESEA, Title I, Part C - Migratory Children	84.011	25615001096904	7,088
*IDEA - Part B, Preschool	84.173	2566100110969046610	13,515
*IDEA - Part B, Preschool	84.173	2666100110969046610	1,234
Total Assistance Listing Number 84.173			14,749
Total Special Education Cluster (IDEA)			14,749
ESEA, Title V, Part B,2 - Rural & Low Income Prog.	84.358B	25696001096904	15,053
ESEA, Title II, Part A, Teacher Principal Training	84.367A	25694501096904	28,334
ESEA, Title II, Part A, Teacher Principal Training	84.367A	26694501096904	1,850
Total Assistance Listing Number 84.367			30,184
Other Federally Funded Special Revenue Funds	84.424A	25680101096904	22,353
Other Federally Funded Special Revenue Funds	84.424A	26680101096904	1,541
Total Assistance Listing Number 84.424			23,894
Total Passed Through Texas Education Agency			354,645
TOTAL U.S. DEPARTMENT OF EDUCATION			354,645
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Education Agency</u>			
*Head Start	93.600	07CH0219/40	202,112
*Head Start	93.600	07CH0219/41	5,417
Total Assistance Listing Number 93.600			207,529
			207,529
Total Passed Through Texas Education Agency			207,529
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			207,529
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the Texas Department of Agriculture</u>			
*School Breakfast Program	10.553	71402001	112,121
*National School Lunch Program - Cash Assistance	10.555	71302001	118,260
*National School Lunch Prog. - Non-Cash Assistance	10.555	096-904	15,093
Total Assistance Listing Number 10.555			133,353
Total Child Nutrition Cluster			245,474
Total Passed Through the Texas Department of Agriculture			245,474
TOTAL U.S. DEPARTMENT OF AGRICULTURE			245,474
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 807,648

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

MEMPHIS INDEPENDENT SCHOOL DISTRICT
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 AUGUST 31, 2025

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Memphis Independent School District and is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Grant Management Standards of the State of Texas. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2 – De Minimis Indirect Cost Rate

Entities that receive federal awards for which an indirect cost rate has never been negotiated may elect to change a de minimis indirect cost rate of ten percent of modified total direct costs. The District did not elect to change the de minimis rate to any of its federal awards during the year ended August 31, 2025.

NOTE 3 – Reconciliation of Federal Expenditures per the SEFA to the Basic Financial Statements

Amount of federal revenues per Exhibit C-3	\$ 1,137,651
Less Erate Grant proceeds	(84,868)
Less Medicaid reimbursements not considered to be federal awards for inclusion on the Schedule of Expenditures of Federal Awards	<u>(245.135)</u>
Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u>\$ 807,648</u>

SCHOOLS FIRST QUESTIONNAIRE

MEMPHIS 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.	