

Hankins Eastup

★
Deaton Tonn Seay & Scarborough | A Texas LLC

March 12, 2026

Millsap ISD
201 Brazos Street
Millsap, Texas 76066

To the District's Evaluation Team:

Cover Letter

We are pleased to submit this proposal for external auditing services as well as efficiency and construction audit engagements to the Millsap ISD (the "District"). We are excited about the possibility of performing the District's annual financial audit along with any other necessary auditing services beginning with the fiscal year ending August 31, 2026.

We believe our firm is highly qualified to be the auditors for the District. With **57 years of experience** in the Texas public school district industry, we currently audit **52 Texas school districts**, ranking us among the **top 5 accounting firms** in terms of school districts served. Our dedication to serving public school districts is not limited to public independent school districts, but also includes Charter Schools, County Special Education Cooperatives, and Education Foundation Funds. Additionally, we have extensive experience auditing other governmental and non-for-profit entities like municipalities, county appraisal districts, water districts, churches, and charities.

The audit engagement team we propose for the District includes engagement partners who have audited Texas public schools—large and small—for over **35 years**. Our engagement partners spend more time in the field with our clients than other accounting firms. We have always believed that partner-level auditors in the field produce better results for everyone involved in the audit process.

Our staff auditors participate in training programs that continuously grow their skill sets in audit practice and theory, risk assessment, effective internal control, new accounting principles, new technologies, cultural awareness, and soft skills. Our commitment to ongoing training and development is the reason we have been able to serve Texas public schools for over five decades.

After you read each segment of our proposal, we believe you will conclude that our accounting firm is uniquely qualified to serve the District as its external auditors. The experience of our engagement partners is unparalleled in this industry; our approach to recruiting staff auditors and developing their talents proactively is something of which we are very proud. We also take great pride in the relationships we forge with our clients; those relationships are rooted in the belief that our audit team should always be constructive and helpful.

☐ Finally, we wish to confirm that none of our partners, managers, or staff have any direct or indirect financial interests in District contracts, and no one proposed to be assigned to the audit team is related to a prohibited degree to any employee of the District or any member of its board of trustees.

Very truly yours,

Hankins Eastup Denton Tonn Seay + Scarborough
Certified Public Accountants | A Texas LLC
Denton, Texas

Our firm representative is **Scott Scarborough, CPA**. He is authorized to bind this offer.

www.hankinseastup.com

Executive Summary

Type of Firm

Our firm is a regional firm with offices in **Houston, Austin, Amarillo, El Paso, and Denton**. We belong to a national network of accounting firms, the **S|CPA network**.

Years of Service

57 years providing annual financial services

Total Employees

44 Total Employees

Denton Office: 12

Millsap ISD Primary Contact

Jenna Howard – Director Client Services

HQ – Hankins Eastup

jenna@mydentoncpa.com

(940) 387-8563 ex. 622

902 N Locust St. Denton, TX 76201

Standing with the Licensing Board & Quality Control



Our firm has **never had a public or private reprimand** by the Texas State Board of Public Accountancy or from any other licensing board of any other state or any professional organization.

Texas State Board of Public Accountancy — Firm/Office Lookup Results

3 firm(s) match the selection criteria.

Firm Name	Office Location	Firm License ID	Date Office Registered	License Expiration Date	Status
HANKINS EASTUP DEATON TONN SEAY & SCARBOROUGH, LLC	DENTON, TX	C05636	10/27/2003	05/31/2026	Issued (Current)
HANKINS EASTUP DEATON TONN SEAY & SCARBOROUGH, LLC	AMARILLO, TX	C05636	04/24/2024	05/31/2026	Issued (Current)
HANKINS EASTUP DEATON TONN SEAY & SCARBOROUGH, LLC	EL PASO, TX	C05636	02/11/2025	05/31/2026	Issued (Current)

External Quality Control Review Organization

Our firm has been a member of an external quality control review organization (currently the **American Institute of Certified Public Accountants Private Companies Practice Section**) for **twenty-five years**. We conduct a peer review every three years. Our firm's most recent report was issued on **June 25th, 2025**, receiving the peer review rating of *Pass*. The due date for our next review is **March 31st, 2028**.

Federal and/or state desk reviews of our governmental audits over the past three years have all resulted in the **approval of all the audit reports**. None of our governmental audits have had federal or state field reviews in the last three years. The firm is also a member of the **AICPA Governmental Audit Quality Center**.

2025 Engagements

The following represents a selection of our active engagements across school districts, educational foundations, and government entities.

School Districts

- Everman ISD
- Lake Worth ISD
- Gainesville ISD
- Walnut Bend ISD
- Midlothian ISD
- Aubrey ISD
- Graford ISD
- Callisburg ISD
- Sanger ISD
- Valley View ISD
- Ponder ISD
- Bonham ISD
- Lake Dallas ISD
- Tom Bean ISD
- Brock ISD
- Kaufman ISD
- Castleberry ISD
- Allen ISD
- Crandall ISD
- Mabank ISD
- Lindsay ISD
- Anna ISD
- Gunter ISD
- Community ISD
- Denton ISD
- Little Elm ISD
- Eagle Mountain-Saginaw ISD
- Princeton ISD
- Northwest ISD
- Tioga ISD
- Poolville ISD
- Terrell ISD
- Venus ISD
- Krum ISD
- Fannin ISD
- Munster ISD
- Argyle ISD
- Palmer ISD
- Collinsville ISD
- Waxahachie ISD
- Lovejoy ISD
- Sherman ISD
- Scurry-Rosser ISD
- Red Oak ISD
- S&S Consolidated ISD
- Melissa ISD
- Italy ISD
- Avalon ISD

Educational Foundations

- Lewisville ISD Edu. Foundation
- Sanger ISD Edu. Foundation
- UNT HSC Foundation
- Krum ISD Edu. Foundation
- Lovejoy Schools Foundation
- TWU Foundation
- UNT Foundation

Government Entities

- Cooke County CAD
- Potter County
- Denton Housing Authority
- Denton County CAD
- Clifton Housing Authority
- City of Krum
- Johnson County CAD
- Bolivar Water Supply
- City of Whitesboro
- City of Dorchester
- City of Booker
- City of Vega
- City of Hereford
- City of Chico
- City of Ladonia
- Town of DISH
- Town of Hickory Creek
- Town of Double Oak
- City of Paradise
- City of Lake Dallas
- Town of Ponder
- Town of Shady Shores

Organization Participation

Our firm is in regular communication with support organizations for school finance, such as the **Texas Education Agency (TEA)**, the **Texas Association of School Business Officials (TASBO)**, and the **Association of School Business Officials International (ASBO)**. Our auditors routinely utilize these organizations for guidance on updates and changes required of financial reporting agents. Our staff will also attend conferences and webinars hosted by these organizations to earn CPE credits throughout the year.

The leaders of our firm have also had the opportunity to present and speak at many publicly available trainings. The firm's managing Partner, **Scott Scarborough, CPA**, most recently presented at a TASBO webinar on **December 9th, 2025**, titled: *What District Auditors Wish More Finance Teams Knew | A Texas-Focused Conversation on Visibility, Compliance, and Financial Confidence*. Scott is also scheduled for more TASBO webinars for Spring 2026 – dates TBD.

Recently, our firm has forged a professional relationship with the **Harris County Department of Education**, serving as both participants and presenters at HCDE-hosted events.



Texas Education Agency (TEA)

Routine guidance on updates and changes required of financial reporting agents.



TASBO

Active presenters and participants, including Scott Scarborough's December 2025 webinar and upcoming Spring 2026 sessions.



ASBO International

Ongoing engagement with international school business officials for best practices and CPE credits.



Harris County Dept. of Education

Professional relationship as both participants and presenters at HCDE-hosted events.

Technical Component: GAGAS vs. GAAS

Generally accepted government auditing standards (GAGAS) are additional auditing standards that apply to audits of state and local governments either because the state or local government evokes the requirements of GAGAS or because they are required to evoke GAGAS by the Single Audit Act of the U.S. federal government.

SINGLE AUDITS INVOLVE THREE LAYERS OF REQUIREMENTS



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The diagram illustrates three overlapping layers of requirements. The top layer is labeled 'Uniform Guidance' and is colored teal. The middle layer is labeled 'Yellow Book' and is colored orange. The bottom layer is labeled 'GAAS' and is colored red. The layers are stacked on top of each other, with the bottom layer being the widest and the top layer being the narrowest.

Generally accepted auditing standards (GAAS) are the professional guidelines that independent certified public accountants must follow to conduct audits of financial statements. GAAS is promulgated by the Auditing Standards Board, which is a

division of the American Institute of Certified Public Accountants (AICPA). To comply with GAAS, an auditor follows the guidance and requirements in the AICPA's Statements on Auditing Standards (SAS), related auditing interpretations, and audit and accounting guides for specific industries and topics.

GAGAS is promulgated by the Comptroller General of the United States, who heads the Government Accountability Office (GAO). GAGAS is often referred to as "**Yellow Book Standards**" because the cover of the document issued by the Comptroller General is yellow. The actual title of the publication is *Government Auditing Standards - Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*. It is important to remember that GAGAS incorporates GAAS and then *adds* other requirements.

The additional GAGAS requirements pertain to ethical principles, independence standards, the use of professional judgement, the requirements for competence, the requirements for quality control and peer review found in chapters 3 through 5 of the Yellow Book, additional considerations when planning and performing a financial audit, and additional reporting requirements.

GAGAS: Additional Requirements in Detail

Five Ethical Principles

- The public interest
- Integrity
- Objectivity
- Proper use of government information, resources, and positions
- Professional behavior

Independence

GAGAS requires that auditors and audit organizations avoid situations that could lead reasonable and informed third parties to conclude that the auditors and audit organizations are not independent. GAGAS establishes a conceptual framework that auditors use to identify, evaluate, and apply safeguards to address threats to independence. Auditors use the framework to:

- Identify threats to independence.
- Evaluate the significance of the threats identified.
- Apply safeguards to eliminate the threats or reduce them to an acceptable level.

Professional Judgment & CPE

GAGAS outlines several considerations for professional judgment but acknowledges that absolute assurance is not attainable due to factors such as the nature of evidence and the characteristics of fraud.

GAGAS includes its own CPE requirements: auditors must complete at least **80 hours of CPE** in every two-year period, including **24 hours** directly related to government or the government environment.

Quality Control, Peer Review & Reporting

GAGAS requires audit organizations to designate leadership responsibility for quality and communicate policies to provide reasonable assurance that auditors meet CPE requirements. Audit organizations must make their most recent peer review report publicly available.

Financial audits under GAGAS require reports on internal control over financial reporting and on compliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.

GAGAS also requires that auditors follow up to determine whether the audited entity has taken appropriate corrective action pertaining to findings and recommendations from previous engagements that could have a significant effect on the financial statements. Under GAGAS, the auditor has additional responsibilities related to reporting fraud or non-compliance with laws and regulations and contract and grant agreements. Finally, under GAGAS, the auditor has certain responsibilities related to findings, including developing elements of a finding, communicating the findings to entity officials, and presenting the findings in the auditor's report.

Independence & Effect of a Multi-Year Contract

Independence of Our Firm

We confirm that we are independent with respect to Millsap ISD's district employees and board members. None of our partners or staff has any direct or indirect financial interest in the District's contracts, and no one is related to board members or employees to a prohibited degree.

Effect of a Multi-Year Contract

A multi-year contract saves time and money as auditors grow in their understanding of a client's systems of operations. Risk assessments are more informed, and the quality of the management letter recommendations improves over time. Without endangering our independence as auditors, we work hard to build strong relationships with our clients to provide continual guidance and support throughout the year and help answer questions about best practices for various accounting functions, as well as understanding new pronouncements.

Methodology: Our Audit Approach

Generally accepted auditing standards (GAAS) require auditors to use information gathered about an audited entity and its environment (including internal control) to identify and assess risks of material misstatement at both the overall financial statement and relevant assertion levels, and to determine the nature, timing, and extent of further audit procedures needed to respond to those risks. Risk assessments determined the audit procedures required to be performed to obtain audit evidence to support the auditor's opinion.

Our firm has developed a pragmatic approach to the audit process to address the requirements of authoritative literature and the needs of our clients and their stakeholders. Our audit approach is designed to be **thoughtful, risk-based, flexible, and adaptable**, allowing our auditors to better leverage their knowledge of the client and experience in the industry to tailor audit procedures. Our audit approach can be described as a **six-step process that occurs in four phases**:



Phase 1 – Planning the Audit

Assess inherent risks, control risks, and fraud risks; develop audit strategy; gather information on internal controls; finalize overall audit strategy.



Phase 2 – Tests of Internal Control

Test internal controls at organizational and accounting cycle levels; test compliance with laws, regulations, contracts, and grant agreements; prepare third-party confirmations.



Phase 3 – Substantive Tests

Conduct substantive testing of material account balances, financial statement presentations, and disclosures; propose material adjusting journal entries; finalize compliance testing.



Phase 4 – Concluding the Audit

Evaluate audit findings and evidence; finalize the audit; prepare client deliverables; quality control and peer reviewers provide feedback; communicate with those responsible for governance.

- Although the above description may suggest a sequential process, a financial audit is a continuous process of gathering, updating, and analyzing information. Therefore, the audit process is an iterative and nonlinear process whereby the required procedures may be performed concurrently with other procedures. Risks are evaluated continuously throughout the audit.

Most importantly, our audit approach emphasizes the importance of building constructive professional relationships with the people we serve—including management and those who are responsible for the District's governance and fiscal accountability.

Management Component: Public Schools & Governmental Audit Experience

Our firm has specialized in auditing public school districts since **1968**, bringing over **57 years of experience** to this sector. In addition to school districts, we audit municipalities, county appraisal districts, water districts, and nonprofit organizations, including charitable entities.

ERP Systems Expertise

Our team is highly experienced with large-scale ERP systems such as **Oracle, Munis, Frontline TEAMS, and Skyward**, as well as smaller-scale accounting platforms like **Ascender**.

ACFR Excellence

Eight of our school district clients prepare **Annual Comprehensive Financial Reports (ACFRs)** and consistently earn recognition through the **Certificate of Achievement for Excellence in Financial Reporting** from the GFOA and/or the **Certificate of Excellence in Financial Reporting** from ASBO.

Specialized Areas

Our expertise extends to Chapter 49 districts, tax increment financing funds, districts operating their own tax offices, education foundations, and County Special Education Cooperatives. We currently audit four such foundations.

Scale & Ranking

Today, we audit **57 Texas public school districts**, ranking us as the **fourth-largest accounting firm in Texas** by number of districts served. Our engagement partners have also audited some of the largest school districts in the state.

Client References

The following is a partial listing of the 57 Texas public school district audit clients, plus related entities that we currently serve, and their contact information.

Entity	Years	ADA	Contact	Telephone
Denton ISD	47	32,577	Vicki Garcia, Exec. Director of Financial Operations	(940) 369-0010
Northwest ISD	8	24,592	Jonathan Pastusek, Ex. Dir. Of Financial Services	(817) 215-0074
Life School of Dallas	10	5,734	Megan Beck, Chief Financial Officer	(469) 850-5433
Red Oak ISD	30	6,001	Bill Johnston, Chief Financial Officer	(972) 617-4005
Eagle Mountain – Saginaw ISD	13	21,245	Jane Valdez, Director of Business	(817) 232-0880
Prosper ISD	4	24,972	Dr. Kyle Penn, Chief Financial Officer	(469) 742-8020
Allen ISD	4	21,634	Brian Carter, Chief Financial Officer	(972) 747-3358
Kaufman ISD	22	4,025	Grant Miller, Chief Financial Officer	(972) 932-2622
Anna ISD	7	4,950	Paula McMillion, Asst. Supt. of Business Services	(972) 924-1033
Sherman ISD	7	7,473	Thomas O'Neal, Deputy Superintendent	(903) 891-6407
Brock ISD	1	2,190	Lancy Rainey, Chief Financial Officer	(817) 594-7642

Proposed Audit Team

Your proposed audit engagement team will consist of the following job positions in the firm:

1

Engagement Partner

1

Senior Lead Auditor

1

Concurring Partner

1-2

Staff Auditors



Scott Scarborough, Ph.D., CPA — Engagement Partner

Scott Scarborough, Ph.D., CPA, will be the engagement partner who will be responsible for the second-level review of all audit working papers. Dr. Scarborough has a bachelor's degree in accounting from The University of Texas at Austin, a master's in business administration from The University of Texas at Tyler, a doctoral degree in business administration from The University of Texas at Arlington, and a master's in taxation from The University of Akron. Dr. Scarborough has been a licensed CPA in Texas since **1988** and previously led the financial audits of the Austin Independent School District and the College Station Independent School District prior to joining our firm. Dr. Scarborough began teaching governmental accounting and auditing at St. Edward's University in 1989. He was a certified information systems auditor with The University of Texas System prior to joining our firm.

Scott's current ISD audit clients: Allen ISD, Bonham ISD, Valley View ISD, Ponder ISD, Lake Dallas ISD, Tom Bean ISD, Brock ISD, and Kaufman ISD



Carl Deaton, CPA — Concurring Partner

The concurring partner on the engagement team will be **Carl Deaton, CPA**, who will work with Mr. Santana to plan, direct, review working papers, and meet with client stakeholders to review and discuss audit deliverables. Mr. Deaton has a bachelor's degree in accounting from Ouachita Baptist University, an MBA in accounting from The University of North Texas and has been a licensed CPA in Texas since **1981**. He has continuously audited public-school districts for **41 years** and has served as a reviewer for GFOA, reviewing ACFRs submitted to GFOA by school districts across the country.

Carl's current ISD audit clients: Denton ISD, Azle ISD, Northwest ISD, Prosper ISD, Venus ISD, Eagle Mountain-Saginaw ISD, and Poolville ISD



Juan Santana, CPA — Senior Lead Auditor

Juan Santana, CPA, will be the senior lead auditor for the engagement. An accomplished audit and consulting professional with over **25 years of experience** spanning governmental, healthcare, energy, hospitality, and nonprofit sectors. Currently serving as Audit Senior Manager at Scott, Singleton, Fincher & Co., Juan has held leadership roles including Audit & Consulting Senior Manager at Galindez LLC and Director of Internal Audit at EGE Haina, where he built audit teams and implemented risk-based audit plans. His expertise includes external financial audits, internal controls, fraud risk management, SOX engagements, and due diligence for mergers and acquisitions. Fully bilingual in English and Spanish, Juan is skilled in ERP systems, audit software, and compliance frameworks such as COSO, GAAP, IFRS, and IIA Standards. A licensed CPA since 1996, he is a member of AICPA, ACFE, and IIA, and has served global clients including Raytheon, General Electric, BASF, and Liberty Media.

Juan's current ISD audit clients: Waxahachie ISD, Sherman ISD, Red Oak ISD, and Melissa ISD

Continuing Professional Education & Staff Rotation

Continuing Professional Education

All members of the audit team have completed their continuing professional education requirements as required by the State Board of Public Accountancy. Each audit team member has also completed at least **twenty-four hours of governmental auditing education** and at least **eighty total hours of audit-related education** in the last two years, as prescribed by GAGAS, or they qualify for one of the exemptions specified in the Yellow Book.

All members of the audit team attend the **TSCPA course on Texas School District Auditing**, which is sixteen hours, as well as other Texas Society of CPA, TASBO, and EDMIS courses specifically related to school district auditing, and other CPE courses related to Single Audits, audit standards updates, and governmental accounting updates.

Staff Rotation Plans

For a five-year engagement, we would not plan to rotate any of the assigned roles of the audit team. We believe **continuity of staff is important** to fulfilling the service expectations of our clients. We would, however, expect junior staff to be promoted into more senior roles over the years of engagement.

Assistance from School Personnel

If engaged, we would expect the District's accounting staff to:

- Provide all documents we request in accordance with a mutually agreed-upon schedule
- Be available to answer questions at regular intervals
- Prepare audit schedules to support material amounts in the District's financial statements

Task/Activity Plan

For the annual financial audit, our Task/Activity plan would be organized in a way that is consistent with our audit approach, which is explained more fully in the Technical Component of our proposal.



	Phase 1 – Planning	Phase 2 – Testing	Phase 3 – Testing	Phase 4 – Concluding
Assigned Staff	Juan Santana, CPA; Scott Scarborough, CPA	Scott Scarborough, CPA; Juan Santana, CPA; Support Staff	Juan Santana, CPA; Support Staff	Carl Deaton, CPA; Scott Scarborough, CPA; Juan Santana, CPA
Budgeted Hours	20 Hours	45 Hours	45 Hours	30 Hours
Timing	July 2026	August 2026	October 2026	December 2026

01

Planning the Audit

Prepare: Engagement Letter, PBC Listing, Risk Assessment, Major Program Determination, and Audit Strategy. **Request:** Prior Year W/P's, Board Minutes, Accounting Systems Accesses, Confirmations, and Attorney Letter(s). **Schedule:** Client Meetings, Observation of Manual & IT Internal Controls, and Observation Inventory.

02

Test of Controls

Testing: Interim Testing of Internal Controls, Financial Reporting and Compliance, Major Program Testing, Other Federal Programs, Dual Purpose Tests of Transactions.

03

Substantive Testing

Testing: Cash and Cash Equivalents, Investments, Property taxes receivable, Due From Other Governments, Other Receivables, Inventories, Prepaid Expenses, Capital Assets, Right to Use Assets, Deferred Outflows, Accounts Payable, Interest Payable, Accruals, Deferred Revenue, Bonds Payable, Net Pension Liability, OPEB Liability, Deferred Inflows, Net position / Fund Balances, Program Revenues, Program Expenses, Enterprise Funds, Tax Revenues, State Aid, Investment Earnings, Other Revenue, and Budget to Actual.

04

Concluding the Audit

Prepare / Evaluate: Final Analytics, Footnotes, Recent Board Minutes, Attorney Letter(s), Disclosure Checklist, Proposed AJE's, Summary of Unadjusted Differences, Management Representation Letter, Quality Control Review, Final Preparation of Deliverables.

05

Final Presentation

Present: Partner and/or Management level member of the audit team will conduct the final presentation of the report to the client's Leadership and the Board.