

ANNUAL FINANCIAL REPORT

YEAR END JUNE 30, 2025



MIDWAY
INDEPENDENT SCHOOL DISTRICT

MIDWAY INDEPENDENT SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025**

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CERTIFICATE OF BOARD

Midway Independent School District
Name of School District

McLennan
County

161903
Co.Dist.Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended June 30, 2025, at a meeting of the Board of Trustees of such school district on the 16th day of December, 2025.

Signature of Board Secretary

Signature of Board President

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

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Midway Independent School District
Woodway, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midway Independent School District (the "District"), as of and for the year ended June 30, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note I to the basic financial statements, during the year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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 GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America that the management's discussion and analysis, budgetary comparison information, and pension and OPEB 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statements, required TEA schedules, and the Schedule of Expenditures of Federal Awards, 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* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, combining statements, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 9, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Midway Independent School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2025. Please read it in conjunction with the District's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$59,939,036 (net position). None of this amount may be used to meet the District's obligations since it represents the District's net investment in capital assets, or otherwise restricted for Federal & State programs or for debt service. Unrestricted net position was a deficit of \$14,891,193.
- The District's total net position increased by \$6,367,137 primarily due to decreased pension expense, increased property tax revenues, and increased state aid revenue.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$55,615,792, an increase of \$523,985 in comparison with the prior year caused primarily by increased property tax revenues resulting from rising assessed values.
- At the end of the current fiscal year, the total unassigned fund balance for the General Fund was \$26,137,247, or 28.4% of total General Fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a long-term view of the District's property and obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how services of the District were sold to external customers. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee.

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

The combining statements for nonmajor funds are presented immediately following the required supplementary information and contain even more information about the District's individual funds. 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. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 10. Its primary objective is to show the results of operations and whether the District is better off or worse off as a result of the year's activities.

The Statement of Net Position includes all the District's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the District's operations during the year. These apply the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The District's revenue is divided into those provided by outside parties who share the costs of some programs, such as tuition received from students and grants provided by the U. S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenue), and general revenue provided by the taxpayers or by TEA in equalization funding processes (general revenue). All of the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has two kinds of activities:

Governmental Activities – Most of the District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Business-type Activities – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services to those activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The Fund financial statements provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under ESEA Title I from the U. S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds – governmental and proprietary – use different accounting approaches.

Governmental Funds – The District reports most of its basic services in governmental funds. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash), and they report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the governmental fund financial statements.

Proprietary Funds – Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. As mentioned above in the government-wide definition, the District uses the business-type activities or Enterprise Funds to report activities for the District's Panther Kids after- school care program.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 22 and 23. We exclude these resources from the District's other financial statements because the District cannot use them to support its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental and business-type activities.

Net position of the District's governmental activities increased from \$58,280,783 to \$59,695,357, primarily due to an increase in foundation revenue and property tax revenues. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was a deficit of \$15,134,872 at June 30, 2025. This is not an indication that the District lacks sufficient resources to satisfy current obligations; instead, it reflects several significant accrued liabilities related to retirement, post-employment benefits, and compensated absences, whereby the liabilities are accrued at present but will be satisfied with future revenues.

**TABLE 1
MIDWAY INDEPENDENT SCHOOL DISTRICT**

	NET POSITION					
	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 69,930,916	\$ 70,573,615	\$ 248,918	\$ 199,494	\$ 70,179,834	\$ 70,773,109
Capital assets	<u>231,929,123</u>	<u>241,658,214</u>	<u>-</u>	<u>-</u>	<u>231,929,123</u>	<u>241,658,214</u>
Total assets	<u>301,860,039</u>	<u>312,231,829</u>	<u>248,918</u>	<u>199,494</u>	<u>302,108,957</u>	<u>312,431,323</u>
Total deferred outflows of resources	<u>16,469,823</u>	<u>18,586,059</u>	<u>-</u>	<u>-</u>	<u>16,469,823</u>	<u>18,586,059</u>
Other liabilities	13,203,725	13,076,834	5,239	6,884	13,208,964	13,083,718
Long-term liabilities	<u>229,528,834</u>	<u>238,754,256</u>	<u>-</u>	<u>-</u>	<u>229,528,834</u>	<u>238,754,256</u>
Total liabilities	<u>242,732,559</u>	<u>251,831,090</u>	<u>5,239</u>	<u>6,884</u>	<u>242,737,798</u>	<u>251,837,974</u>
Total deferred inflows of resources	<u>15,901,946</u>	<u>20,706,015</u>	<u>-</u>	<u>-</u>	<u>15,901,946</u>	<u>20,706,015</u>
Net position:						
Net investment in capital assets	51,941,199	47,411,324	-	-	51,941,199	47,411,324
Restricted	22,889,030	20,967,254	-	-	22,889,030	20,967,254
Unrestricted	<u>(15,134,872)</u>	<u>(10,097,795)</u>	<u>243,679</u>	<u>192,610</u>	<u>(14,891,193)</u>	<u>(9,905,185)</u>
Total net position	<u>\$ 59,695,357</u>	<u>\$ 58,280,783</u>	<u>\$ 243,679</u>	<u>\$ 192,610</u>	<u>\$ 59,939,036</u>	<u>\$ 58,473,393</u>

TABLE 2

MIDWAY INDEPENDENT SCHOOL DISTRICT

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program revenues:						
Charges for services	\$ 2,429,701	\$ 2,269,558	\$ 652,294	\$ 676,679	\$ 3,081,995	\$ 2,946,237
Operating grants and contributions	13,774,357	14,296,930	-	-	13,774,357	14,296,930
General revenues:						
Maintenance and operations taxes	58,052,402	54,500,406	-	-	58,052,402	54,500,406
Debt service taxes	19,997,537	18,688,531	-	-	19,997,537	18,688,531
State aid - formula grants	25,299,205	23,811,427	-	-	25,299,205	23,811,427
Investment earnings	2,818,414	2,915,551	-	-	2,818,414	2,915,551
Miscellaneous local and intermediate	379,547	1,519,765	-	-	379,547	1,519,765
Total revenues	<u>122,751,163</u>	<u>118,002,168</u>	<u>652,294</u>	<u>676,679</u>	<u>123,403,457</u>	<u>118,678,847</u>
EXPENSES						
Instruction	61,032,009	59,984,654	-	-	61,032,009	59,984,654
Instructional resources and media services	1,165,233	1,006,247	-	-	1,165,233	1,006,247
Curriculum and staff development	1,385,992	1,104,760	-	-	1,385,992	1,104,760
Instructional leadership	3,180,426	2,457,964	-	-	3,180,426	2,457,964
School leadership	4,849,967	4,357,702	-	-	4,849,967	4,357,702
Guidance, counseling and evaluation services	3,489,348	3,403,166	-	-	3,489,348	3,403,166
Social work services	224,510	206,284	-	-	224,510	206,284
Data processing services	1,264,305	1,372,414	-	-	1,264,305	1,372,414
Community services	192,279	219,957	-	-	192,279	219,957
Health services	967,848	916,398	-	-	967,848	916,398
Student (pupil) transportation	4,918,725	4,215,267	-	-	4,918,725	4,215,267
Food services	5,159,803	4,571,731	-	-	5,159,803	4,571,731
Co-curricular/extracurricular activities	5,456,682	5,113,848	-	-	5,456,682	5,113,848
General administration	3,731,825	3,178,890	-	-	3,731,825	3,178,890
Plant maintenance and operations	12,040,379	8,781,809	-	-	12,040,379	8,781,809
Security and monitoring services	1,564,578	2,078,585	-	-	1,564,578	2,078,585
Debt service - interest on long-term debt	4,836,665	3,536,952	-	-	4,836,665	3,536,952
Debt service - bond issuance costs and fees	248,685	222,882	-	-	248,685	222,882
Panther kids day care	-	-	601,225	407,471	601,225	407,471
Other governmental charges	725,836	677,487	-	-	725,836	677,487
Total expenses	<u>116,435,095</u>	<u>107,406,997</u>	<u>601,225</u>	<u>407,471</u>	<u>117,036,320</u>	<u>107,814,468</u>
INCREASE IN NET POSITION	6,316,068	10,595,171	51,069	269,208	6,367,137	10,864,379
NET POSITION, BEGINNING, RESTATED	<u>53,379,289</u>	<u>47,685,612</u>	<u>192,610</u>	<u>(76,598)</u>	<u>53,571,899</u>	<u>47,609,014</u>
NET POSITION, ENDING	<u>\$ 59,695,357</u>	<u>\$ 58,280,783</u>	<u>\$ 243,679</u>	<u>\$ 192,610</u>	<u>\$ 59,939,036</u>	<u>\$ 58,473,393</u>

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of \$55,615,792, which is an increase over last year's total of \$55,091,807.

The General Fund is the District's primary operating fund. Fund balances in the General Fund increased by \$245,452 as increased property tax and state foundation revenues offset increased expenditures. Expenditures increased primarily due to salary increases as the District works to attract and retain staff with competitive compensation compared to other districts. Maintenance costs also increased as District facilities have aged.

The Debt Service Fund is the other governmental fund considered to be a major fund. For fiscal year 2025, its fund balance increased by \$2,958,720. This reflects the continuation of several years of operating surpluses. As appraised values have risen in the District, both from growth and appreciation, property tax revenues have increased compared to debt service costs decreasing over time as existing bonds are paid off. The District has used these reserves to make early defeasances on bonds not yet due, which saves on future interest costs. The District's interest and sinking property tax rate has been flat or decreased for several years.

General Fund Budgetary Highlights

The District's General Fund balance of \$29.6 million reported on pages 13 and 16 differs from the General Fund's budgetary fund balance of \$24.6 million. This is principally due to higher state revenues than expected, as well as cost savings across most functions. The District initially forecasted a significant decrease in fund balance, and concerted cost-reduction efforts were taken to control spending and, ultimately, add a small amount to fund balance. Major budget amendments include amounts to reallocate funds from categories having available funds to categories where funds were more needed.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the District had approximately \$231.9 million (net of accumulated depreciation) invested in a broad range of capital assets, including instructional facilities and equipment, transportation facilities and equipment, athletic facilities, and administrative and maintenance buildings and equipment.

This year's major transactions included building improvements of \$785,000 and the beginning of construction of improvements, which led to a \$182,000 increase to construction in progress.

Additional information about the District's capital assets is presented in Note II.C to the financial statements.

Debt

At year-end, the District had approximately \$186.5 million in bonds and loans outstanding versus approximately \$202.9 million last year. The decrease resulted from continued payment on existing long-term debt. The District made an advance defeasance of \$2.5 million of bonds during FY25, but otherwise no significant transactions occurred besides scheduled bond payments.

The District's general obligation bond rating continues to carry the highest rating possible, a rating that has been assigned by national rating agencies. Additional information about the District's long-term liabilities is presented in Note II.F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected officials considered many factors when setting the fiscal year 2026 budget and tax rates. Due to an increase in the homestead exemption, the District expects tax revenue to decrease modestly for fiscal year 2026. In accordance with funding formulas, the District expects to receive an increase in State funding to offset the decreased tax revenue. The District will receive a new Teacher Retention Allotment from the State, providing \$5,000 to teachers with 5 or more years of experience and \$3,500 for teachers with 3 to 4 years of experience. The budget includes raises for all other staff of approximately 2%.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administration office, at 13885 Woodway Drive, Woodway, Texas 76712.

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BASIC FINANCIAL STATEMENTS

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MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT A-1

STATEMENT OF NET POSITION

JUNE 30, 2025

Data Control Codes	Primary Government			
	1	2	3	
	Governmental Activities	Business-type Activities	Total	
ASSETS				
1110	Cash and cash equivalents	\$ 59,197,723	\$ 238,691	\$ 59,436,414
1120	Current investments	3,081,231	-	3,081,231
1210	Current property taxes receivable	896,615	-	896,615
1220	Delinquent property taxes receivable	641,913	-	641,913
1230	Allowance for uncollectible taxes (credit)	(400,018)	-	(400,018)
1240	Due from other governments	6,485,686	-	6,485,686
1290	Other receivables, net	27,766	10,227	37,993
Capital assets:				
1510	Land	11,013,386	-	11,013,386
1520	Buildings and improvements, net	214,075,791	-	214,075,791
1530	Furniture and equipment, net	6,657,946	-	6,657,946
1580	Construction in progress	182,000	-	182,000
1000	Total assets	301,860,039	248,918	302,108,957
DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred loss on bond refunding	1,172,539	-	1,172,539
1705	Pension related	6,621,608	-	6,621,608
1706	OPEB related	8,675,676	-	8,675,676
1700	Total deferred outflows of resources	16,469,823	-	16,469,823
LIABILITIES				
2110	Accounts payable	393,174	-	393,174
2140	Accrued interest payable	2,542,281	-	2,542,281
2160	Accrued wages payable	10,063,591	5,239	10,068,830
2300	Unearned revenue	204,679	-	204,679
Noncurrent liabilities:				
Due within one year:				
2501	Bonds, loans, and compensated absences	14,283,109	-	14,283,109
Due in more than one year:				
2502	Bonds, loans, and compensated absences	172,222,424	-	172,222,424
2540	Net pension liability	25,062,707	-	25,062,707
2545	Net OPEB liability	17,960,594	-	17,960,594
2000	Total liabilities	242,732,559	5,239	242,737,798
DEFERRED INFLOWS OF RESOURCES				
2605	Pension related	763,857	-	763,857
2606	OPEB related	15,138,089	-	15,138,089
2600	Total deferred inflows of resources	15,901,946	-	15,901,946
NET POSITION				
3200	Net investment in capital assets	51,941,199	-	51,941,199
Restricted for:				
3820	Federal and state programs	563,559	-	563,559
3850	Debt service	22,325,471	-	22,325,471
3900	Unrestricted	(15,134,872)	243,679	(14,891,193)
3000	Total net position	\$ 59,695,357	\$ 243,679	\$ 59,939,036

The accompanying notes are an integral part of this financial statement.

MIDWAY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues	
			3 Charges for Services	4 Operating Grants and Contributions
Primary government:				
	Governmental activities:			
11	Instruction	\$ 61,032,009	\$ 452,035	\$ 4,775,845
12	Instructional resources and media services	1,165,233	-	87,940
13	Curriculum and staff development	1,385,992	-	40,309
21	Instructional leadership	3,180,426	-	746,148
23	School leadership	4,849,967	-	200,853
31	Guidance, counseling, and evaluation services	3,489,348	-	246,949
32	Social work services	224,510	-	35,152
33	Health services	967,848	-	287,166
34	Student transportation	4,918,725	-	82,722
35	Food service	5,159,803	1,598,499	2,846,145
36	Extracurricular activities	5,456,682	237,789	1,411,096
41	General administration	3,731,825	-	179,108
51	Facilities maintenance and operations	12,040,379	141,378	208,263
52	Security and monitoring services	1,564,578	-	411,493
53	Data processing services	1,264,305	-	33,663
61	Community services	192,279	-	137,848
72	Interest on long-term debt	4,836,665	-	2,043,657
73	Bond issuance costs and fees	248,685	-	-
99	Other governmental charges	<u>725,836</u>	<u>-</u>	<u>-</u>
TG	Total governmental activities	<u>116,435,095</u>	<u>2,429,701</u>	<u>13,774,357</u>
	Business-type activities:			
04	Panther kids day care	<u>601,225</u>	<u>652,294</u>	<u>-</u>
TB	Total business-type activities	<u>601,225</u>	<u>652,294</u>	<u>-</u>
TP	Total primary government	<u>\$ 117,036,320</u>	<u>\$ 3,081,995</u>	<u>\$ 13,774,357</u>
General revenues:				
	Taxes:			
MT	Property taxes, levied for general purposes			
DT	Property taxes, levied for debt service			
GC	Grants and contributions not restricted			
IE	Investment earnings			
MI	Miscellaneous local and intermediate revenue			
TR	Total general revenues			
CN	Change in net position			
NB	Net position - beginning, as previously reported			
PA	Change in accounting principle			
	Net position - beginning, as restated			
NE	Net position - ending			

The accompanying notes are an integral part of this financial statement.

Net (Expenses) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (55,804,129)	\$ -	\$ (55,804,129)
(1,077,293)	-	(1,077,293)
(1,345,683)	-	(1,345,683)
(2,434,278)	-	(2,434,278)
(4,649,114)	-	(4,649,114)
(3,242,399)	-	(3,242,399)
(189,358)	-	(189,358)
(680,682)	-	(680,682)
(4,836,003)	-	(4,836,003)
(715,159)	-	(715,159)
(3,807,797)	-	(3,807,797)
(3,552,717)	-	(3,552,717)
(11,690,738)	-	(11,690,738)
(1,153,085)	-	(1,153,085)
(1,230,642)	-	(1,230,642)
(54,431)	-	(54,431)
(2,793,008)	-	(2,793,008)
(248,685)	-	(248,685)
(725,836)	-	(725,836)
(100,231,037)	-	(100,231,037)
-	51,069	51,069
-	51,069	51,069
\$ (100,231,037)	\$ 51,069	\$ (100,179,968)
58,052,402	-	58,052,402
19,997,537	-	19,997,537
25,299,205	-	25,299,205
2,818,414	-	2,818,414
379,547	-	379,547
106,547,105	-	106,547,105
6,316,068	51,069	6,367,137
58,280,783	192,610	58,473,393
(4,901,494)	-	(4,901,494)
53,379,289	192,610	53,571,899
\$ 59,695,357	\$ 243,679	\$ 59,939,036

MIDWAY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2025

Data Control Codes		10	50
		General	Debt Service
ASSETS			
1110	Cash and cash equivalents	\$ 29,874,447	\$ 24,577,350
1120	Current investments	3,081,231	-
1210	Current property taxes receivable	649,474	247,141
1220	Delinquent property taxes receivable	496,078	145,835
1230	Allowance for uncollectible taxes (credit)	(297,844)	(102,174)
1240	Due from other governments	5,858,786	-
1260	Due from other funds	705,378	-
1290	Other receivables	27,766	-
1000	Total assets	40,395,316	24,868,152
LIABILITIES			
2110	Accounts payable	352,576	400
2160	Accrued wages payable	9,765,681	-
2170	Due to other funds	-	-
2300	Unearned revenue	-	-
2000	Total liabilities	10,118,257	400
DEFERRED INFLOWS OF RESOURCES			
2605	Unavailable revenue - property taxes	647,980	221,071
2600	Total deferred inflows of resources	647,980	221,071
FUND BALANCES			
	Restricted for:		
3450	Federal and state programs	-	-
3470	Construction	-	-
3480	Debt service	-	24,646,681
	Committed for:		
3545	Campus activity	-	-
	Assigned for:		
3590	Next year's budget	3,491,832	-
3600	Unassigned	26,137,247	-
3000	Total fund balances	29,629,079	24,646,681
4000	Total liabilities, deferred inflows of resources and fund balances	\$ 40,395,316	\$ 24,868,152

The accompanying notes are an integral
part of this financial statement.

onmf	98
Other	Total
Governmental	Governmental
Funds	Funds
\$ 1,961,297	\$ 56,413,094
-	3,081,231
-	896,615
-	641,913
-	(400,018)
626,900	6,485,686
-	705,378
-	27,766
<u>2,588,197</u>	<u>67,851,665</u>
40,198	393,174
297,910	10,063,591
705,378	705,378
<u>204,679</u>	<u>204,679</u>
<u>1,248,165</u>	<u>11,366,822</u>
-	<u>869,051</u>
-	<u>869,051</u>
563,559	563,559
10,681	10,681
-	24,646,681
765,792	765,792
-	3,491,832
-	<u>26,137,247</u>
<u>1,340,032</u>	<u>55,615,792</u>
<u>\$ 2,588,197</u>	<u>\$ 67,851,665</u>

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MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-2

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2025

Total Fund Balances - Governmental Funds	\$ 55,615,792
1 The district uses internal service funds to charge the costs of certain activities, such as computer operations, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net position.	3,632,204
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	228,821,348
3 Uncollected property taxes are reported as unavailable resources in the governmental funds balance sheet, but are not recognized as a revenue in the statement of activities.	869,051
4 Long-term liabilities, including bonds and tax notes payable, are not due and payable in the current period and therefore are not reported in the funds. Also, the loss on refunding of bonds and the premium on issuance of bonds payable are not reported in the funds.	(177,738,405)
Certain liabilities are not due and payable in the current period and, therefore, is not reported as a liability in the government funds.	
5 Interest payable	(2,542,281)
6 Compensated absences	(5,334,389)
7 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68.	
Deferred outflows related to pensions	6,621,608
Deferred inflows related to pensions	(763,857)
Net pension liability	(25,062,707)
8 Included in the items related to debt is the recognition of the District's proportionate share of the net other post-employment benefit (OPEB) liability required by GASB 75.	
Deferred outflows related to OPEB	8,675,676
Deferred inflows related to OPEB	(15,138,089)
Net OPEB liability	<u>(17,960,594)</u>
29 Net position of governmental activities	<u>\$ 59,695,357</u>

MIDWAY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		10	50
		General	Debt Service
	REVENUES		
5700	Local and intermediate sources	\$ 61,110,641	\$ 20,856,221
5800	State program revenues	30,550,252	2,043,657
5900	Federal program revenues	624,188	-
5020	Total revenues	<u>92,285,081</u>	<u>22,899,878</u>
	EXPENDITURES		
	Current:		
0011	Instruction	52,773,484	-
0012	Instructional resources and media services	971,449	-
0013	Curriculum and staff development	1,377,786	-
0021	Instructional leadership	2,496,885	-
0023	School leadership	4,893,001	-
0031	Guidance, counseling, and evaluation services	3,439,035	-
0032	Social work services	195,267	-
0033	Health services	960,862	-
0034	Student transportation	4,561,070	-
0035	Food service	-	-
0036	Extracurricular activities	2,783,258	-
0041	General administration	3,679,439	-
0051	Facilities maintenance and operations	10,305,400	-
0052	Security and monitoring services	1,032,340	-
0053	Data processing services	1,190,609	-
0061	Community services	61,335	-
	Debt service:		
0071	Principal on long-term debt	-	13,260,000
0072	Interest on long-term debt	-	6,432,473
0073	Bond issuance costs and fees	-	248,685
0081	Capital outlay	613,278	-
0099	Other intergovernmental charges	725,836	-
6030	Total expenditures	<u>92,060,334</u>	<u>19,941,158</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>224,747</u>	<u>2,958,720</u>
	OTHER FINANCING SOURCES (USES)		
7912	Sale of property	20,705	-
7080	Total other financing sources (uses)	<u>20,705</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	245,452	2,958,720
0100	FUND BALANCES, BEGINNING	<u>29,383,627</u>	<u>21,687,961</u>
3000	FUND BALANCES, ENDING	<u>\$ 29,629,079</u>	<u>\$ 24,646,681</u>

The accompanying notes are an integral
part of this financial statement.

onmf	98
Other	Total
Governmental	Governmental
Funds	Funds
\$ 3,897,058	\$ 85,863,920
1,194,422	33,788,331
<u>5,247,021</u>	<u>5,871,209</u>
<u>10,338,501</u>	<u>125,523,460</u>
3,121,180	55,894,664
55,299	1,026,748
11,378	1,389,164
657,053	3,153,938
42,900	4,935,901
139,353	3,578,388
32,500	227,767
21,841	982,703
14,732	4,575,802
4,909,538	4,909,538
1,312,093	4,095,351
-	3,679,439
904,187	11,209,587
573,434	1,605,774
-	1,190,609
131,239	192,574
-	13,260,000
-	6,432,473
-	248,685
1,091,961	1,705,239
<u>-</u>	<u>725,836</u>
<u>13,018,688</u>	<u>125,020,180</u>
<u>(2,680,187)</u>	<u>503,280</u>
-	20,705
<u>-</u>	<u>20,705</u>
(2,680,187)	523,985
<u>4,020,219</u>	<u>55,091,807</u>
<u>\$ 1,340,032</u>	<u>\$ 55,615,792</u>

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MIDWAY INDEPENDENT SCHOOL DISTRICT**EXHIBIT C-4****RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES****FOR THE YEAR ENDED JUNE 30, 2025**

Net change in fund balances - total governmental funds	\$ 523,985
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(8,598,991)
Property tax revenues that do not provide current financial resources are not reported as revenues in the funds.	(3,025)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal long-term debt consume these current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	13,260,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	1,162,913
Internal Service Funds are used by management to charge the costs of certain activities, such as computer operations, to individual funds. The net revenue (expense) of the Internal Service Funds is reported with governmental activities.	(918,770)
GASB 68 Required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$2,097,126. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$1,940,518. Finally, the proportionate share of pension expense on the plans as a whole had to be recorded. The net pension expense decreased the change in net position by \$1,447,168.	(1,290,560)
GASB 75 Required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$464,632. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$448,345. Finally, the proportionate share of OPEB expense on the plans as a whole had to be recorded. The net OPEB expense increased the change in net position by \$2,164,229.	2,180,516
Change in net position of governmental activities	<u>\$ 6,316,068</u>

The accompanying notes are an integral
part of this financial statement.

MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT D-1

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2025

	Business-type Activities	Governmental Activities
	Enterprise	Internal Service
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 238,691	\$ 2,784,629
Receivables, net	10,227	-
Total current assets	248,918	2,784,629
Noncurrent assets:		
Furniture and equipment	-	4,520,400
Accumulated depreciation	-	(1,412,625)
Total noncurrent assets	-	3,107,775
Total assets	248,918	5,892,404
LIABILITIES		
Current liabilities:		
Accrued wages payable	5,239	-
Financing arrangements payable	-	1,130,100
Total current liabilities	5,239	1,130,100
Noncurrent liabilities:		
Financing arrangements payable	-	1,130,100
Total noncurrent liabilities	-	1,130,100
Total liabilities	5,239	2,260,200
NET POSITION		
Net investment in capital assets	-	847,575
Unrestricted	243,679	2,784,629
Total net position	\$ 243,679	\$ 3,632,204

MIDWAY INDEPENDENT SCHOOL DISTRICT**EXHIBIT D-2**

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise</u>	<u>Internal Service</u>
OPERATING REVENUES		
Local and intermediate sources	\$ 652,294	\$ 276,000
Total operating revenues	<u>652,294</u>	<u>276,000</u>
OPERATING EXPENSES		
Payroll costs	528,653	-
Professional and contracted services	530	8,373
Supplies and materials	19,279	56,297
Other operating costs	52,763	-
Depreciation expense	<u>-</u>	<u>1,130,100</u>
Total operating expenses	<u>601,225</u>	<u>1,194,770</u>
CHANGE IN NET POSITION	51,069	(918,770)
NET POSITION, BEGINNING	<u>192,610</u>	<u>4,550,974</u>
NET POSITION, ENDING	<u>\$ 243,679</u>	<u>\$ 3,632,204</u>

MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT D-3

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

	Business-type Activities	Governmental Activities
	Enterprise	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 652,294	\$ -
Cash received from interfund charges for computer operations	-	276,000
Cash payments to employees for services	(529,183)	(8,373)
Cash payments for suppliers	(80,005)	(62,297)
Net cash provided (used) by operating activities	43,106	205,330
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on long-term debt	-	(1,130,100)
Net cash provided (used) by capital and related financing activities	-	(1,130,100)
NET CHANGE IN CASH AND CASH EQUIVALENTS	43,106	(924,770)
CASH, BEGINNING	195,585	3,709,399
CASH, ENDING	238,691	2,784,629
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	51,069	(918,770)
Depreciation	-	1,130,100
Effect of increases and decreases in current assets and liabilities:		
(Increase) decrease in accounts receivable	(6,318)	-
Increase (decrease) in accounts payable	(1,537)	(6,000)
Increase (decrease) in wages payable	(108)	-
Net cash provided (used) by operating activities	\$ 43,106	\$ 205,330

MIDWAY INDEPENDENT SCHOOL DISTRICT**EXHIBIT E-1**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2025

	Private-Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and cash equivalents	\$ 39,941	\$ 87,034
Total assets	<u>39,941</u>	<u>87,034</u>
NET POSITION		
Restricted for:		
Scholarships	39,941	-
Student groups	-	87,034
Total net position	<u>\$ 39,941</u>	<u>\$ 87,034</u>

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MIDWAY INDEPENDENT SCHOOL DISTRICT**EXHIBIT E-2**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

	Private-Purpose Trust Fund	Custodial Fund
ADDITIONS		
Investment earnings:		
Interest	\$ 1,619	\$ -
Total investment earnings	1,619	-
Collections from student groups	-	152,597
Total additions	1,619	152,597
DEDUCTIONS		
Payments on-behalf of student groups	4,700	150,088
Total deductions	4,700	150,088
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	(3,081)	2,509
NET POSITION, BEGINNING	43,022	84,525
NET POSITION, ENDING	\$ 39,941	\$ 87,034

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MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Midway Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes, state foundation funds, grants, and other intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenue and expenses are nonoperating.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Revenue from local sources consists primarily of property taxes. Property tax revenue and revenue received from the state are recognized under the susceptible-to-accrual concept. Miscellaneous revenue is recorded as revenue when received in cash because it is generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenue in the accounting period in which it is earned and becomes measurable, and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets, deferred outflows (inflows), and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund equity is segregated into three categories: net investment in capital assets, restricted net position, and unrestricted net position.

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. This District's private-purpose trust fund's activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The District uses a custodial fund to account for assets held for student groups. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

The District reports the following major governmental funds:

General Fund – The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term general obligations of governmental funds.

Additionally, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a Special Revenue Fund. Most federal and some state financial assistance is accounted for in a Special Revenue Fund.

Capital Projects Fund – The Capital Projects Fund is used to account for the proceeds of the Unlimited Tax School Building Bonds, Series 2020 and the associated acquisition, construction, renovation and equipment of school facilities in the District.

Proprietary Funds:

Enterprise Fund – The District's Enterprise Fund is the Panther Kids Fund which accounts for its afterschool childcare program. Outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities.

Internal Service Fund – The District accounts for information technology services provided to other departments on a cost reimbursement basis.

Fiduciary Funds:

Private Purpose Trust Fund – The District accounts for donations for which the donor has stipulated that the principal be expended for a specific purpose. The District's Private Purpose Trust Fund is the Scholarship Fund.

Custodial Fund – These funds account for the activities of student groups. This accounting reflects the District's custodial relationship with student activity organizations.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the District are reported at fair value, except for its position in investment pools. Investments in external local government investment pools are reported at net asset value per share, which approximates fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes are levied as of October 1 on property values assessed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the following year in which imposed. On January 31 of each year, a tax lien attaches to property to secure payment of all taxes, penalties, and interest ultimately imposed.

Tax collections are prorated between the General Fund and Debt Service Fund based on the tax rate approved by the Board. For the year ended June 30, 2025, the rates were \$0.6969 and \$0.2400, respectively, per \$100 of assessed value.

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

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental or business-type activities columns in the financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Assets	Years
Buildings and improvements	39
Vehicles	10
Furniture and equipment	3-7

4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

5. Compensated Absences

State law entitles all employees to five days of paid personal leave per year with no limit on accumulation and no restrictions on transfer among districts. The District also provides full-time employees with five additional leave days in accordance with administrative regulations. In addition to leave time, each full-time employee earns five paid days of vacation days per school year in accordance with administrative regulations.

Any unused leave accumulates without monetary value and is not paid upon termination. The District has estimated amounts of state and local days more likely than not to be used using historical data and recorded a liability on the statement of net position.

6. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are a deferred charge on refunding and deferred outflow related to TRS reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The item related to TRS represents the District's share of the unrecognized plan deferred outflow of resources which TRS uses in calculating the ending net pension and OPEB liabilities.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of inflows. One arises only under a modified accrual basis of accounting that qualifies for reporting in this category. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Additionally, the District also recognizes their share of the unrecognized TRS plan deferred inflows of resources which TRS uses in calculating the ending net pension and OPEB liabilities. These amounts are only reported in the government-wide financial statements.

7. *Pensions*

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

8. *Other Post-Employment Benefits*

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

9. *Fund Balance Classification*

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the School Board, the District's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or Superintendent.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditures are 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.

The Board has established a policy of maintaining a minimum fund balance of 25% of the budget adopted in the following year.

10. Net Position

Net position represents the difference between assets, deferred outflow (inflow) of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

11. Estimates

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

12. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Midway Independent School District's investment policies and types of investments are governed by the Public Funds Investment Act ("PFIA"). The act authorizes the District to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and investment pools. The District's management believes that it complied with the requirements of the PFIA and the District's investment policies.

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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. At June 30, 2025, the District's deposits were covered by FDIC insurance or collateralized with securities held by the District's agent in the District's name.

Credit Risk – Investments

The District policy of managing credit risk is to diversify the investment portfolio in terms of investment instruments, maturity scheduling and financial institutions.

Interest Rate Risk – Investments

The District manages its interest rate risk by diversifying the investment portfolio's investment types and maturity scheduling.

The District's investments consisted of the following at June 30, 2025.

<u>Investment Type</u>	<u>Reported Value</u>	<u>Standar & Poor's</u>	<u>Weighted Average Maturity (Days)</u>
Lone Star Investment Pool	\$ 55,540,523	AAAm	26
Certificates of Deposit	<u>3,081,231</u>	N/A	36
	58,621,754		
Plus: Depository Cash	<u>4,022,866</u>		
Total Cash and Investments	<u>\$ 62,644,620</u>		

These public funds investment pools are reported with cash and cash equivalents in the financial statements. Current Investments reported in the financial statements consist of certificates of deposits that have maturities ranging from three to twelve months.

The District's investment pool has a redemption notice period of one day and may be redeemed daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

B. Receivables

The District's disaggregation of receivables is summarized as follows:

	General Fund	Debt Service
Current and delinquent property taxes	\$ 1,145,552	\$ 392,976
Allowance for uncollectible taxes	(297,844)	(102,174)
Miscellaneous receivables	27,766	-
Total receivables, net of allowance	<u>\$ 875,474</u>	<u>\$ 290,802</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	Beginning Balance 7/1/24	Increases	Decreases	Ending Balance 6/30/25
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,013,386	\$ -	\$ -	\$ 11,013,386
Construction in progress	-	182,000	-	182,000
Total capital assets, not being depreciated	<u>11,013,386</u>	<u>182,000</u>	<u>-</u>	<u>11,195,386</u>
Capital assets, being depreciated:				
Buildings	323,935,226	785,000	-	324,720,226
Furniture and equipment	<u>22,997,310</u>	<u>247,525</u>	<u>-</u>	<u>23,244,835</u>
Total capital assets, being depreciated	<u>346,932,536</u>	<u>1,032,525</u>	<u>-</u>	<u>347,965,061</u>
Less accumulated depreciation for:				
Buildings	(101,710,035)	(8,934,400)	-	(110,644,435)
Furniture and equipment	<u>(14,577,673)</u>	<u>(2,009,216)</u>	<u>-</u>	<u>(16,586,889)</u>
Total accumulated depreciation	<u>(116,287,708)</u>	<u>(10,943,616)</u>	<u>-</u>	<u>(127,231,324)</u>
Capital assets, being depreciated, net	<u>230,644,828</u>	<u>(9,911,091)</u>	<u>-</u>	<u>220,733,737</u>
Governmental activities capital assets, net	<u>\$ 241,658,214</u>	<u>\$ (9,729,091)</u>	<u>\$ -</u>	<u>\$ 231,929,123</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Instruction	\$ 6,823,412
Instructional resources and media services	174,689
Curriculum development and instructional staff development	34,130
Instructional leadership	150,282
School leadership	104,557
Guidance, counseling and evaluation services	39,486
Health services	21,923
Student (pupil) transportation	518,505
Food services	331,646
Extracurricular activities	1,411,348
General administration	163,856
Plant maintenance and operations	1,055,708
Data processing services	<u>114,074</u>
Total depreciation expense - governmental activities	<u>\$ 10,943,616</u>

D. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2025, is as follows:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General fund	Nonmajor governmental	\$ 705,378
		<u>\$ 705,378</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

E. Unearned Revenue

Governmental funds report *unearned revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned revenue* reported in the governmental funds were as follows:

	<u>Nonmajor Governmental</u>
Unspent grant proceeds	\$ 105,190
Prepaid food service accounts	<u>99,489</u>
Total unearned revenue	<u>\$ 204,679</u>

F. Long-term Liabilities

The following is a summary of changes in long-term liabilities:

	<u>Beginning Balance, As Restated</u>	<u>Additions</u>	<u>Retired / Refunded</u>	<u>Ending Balance 6/30/25</u>	<u>Due Within One Year</u>
<i>Governmental activities:</i>					
General obligation bonds	\$ 170,740,000	\$ -	\$ 13,260,000	\$ 157,480,000	\$ 11,330,000
Financing arrangements	3,390,300	-	1,130,100	2,260,200	1,130,100
Premium on bonds	<u>23,912,362</u>	<u>-</u>	<u>2,481,418</u>	<u>21,430,944</u>	<u>-</u>
Total long-term debt	198,042,662	-	16,871,518	181,171,144	12,460,100
Compensated absences	4,901,494	432,895	-	5,334,389	1,823,009
Net pension liability	27,835,530	-	2,772,823	25,062,707	-
Net OPEB liability	<u>12,876,064</u>	<u>5,084,530</u>	<u>-</u>	<u>17,960,594</u>	<u>-</u>
Total long-term liabilities	<u>\$ 243,655,750</u>	<u>\$ 5,517,425</u>	<u>\$ 19,644,341</u>	<u>\$ 229,528,834</u>	<u>\$ 14,283,109</u>

Increases and decreases to compensated absences are reported in the schedule above as a net amount. The General Fund and special revenue funds have historically liquidated the pension and OPEB liabilities.

Bonds Payable

A summary of changes in general obligation bonds payable for the year ended June 30, 2025, is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Retired	Amounts Outstanding 6/30/25
2015 Unlimited Tax Refunding	2% - 5%	\$ 37,285,000	\$ 6,955,000	\$ 9,615,000
2017 Unlimited Tax Refunding	4% - 4.5%	8,390,000	-	4,160,000
2018 Unlimited Tax Refunding	2% - 4%	3,860,000	695,000	950,000
2020 Unlimited Tax School Bldg	2% - 5%	125,395,000	3,900,000	119,065,000
2020 Unlimited Tax Refunding	1.24% - 5%	14,705,000	1,710,000	11,190,000
2021 Unlimited Tax Refunding	2% - 5%	12,500,000	-	12,500,000
Total bonds payable			<u>\$ 13,260,000</u>	<u>\$ 157,480,000</u>

Presented below is a summary of general obligation bond requirements to maturity:

Year Ending June 30,	General Requirements		Total Requirements
	Principal	Interest	
2026	\$ 11,330,000	\$ 5,802,297	\$ 17,132,297
2027	15,280,000	5,258,747	20,538,747
2028	5,715,000	4,806,247	10,521,247
2029	8,890,000	4,465,751	13,355,751
2030	9,210,000	4,083,371	13,293,371
2031-2035	46,545,000	14,190,369	60,735,369
2036-2040	49,650,000	5,492,600	55,142,600
2041-2045	<u>10,860,000</u>	<u>162,900</u>	<u>11,022,900</u>
Total	<u>\$ 157,480,000</u>	<u>\$ 44,262,282</u>	<u>\$ 201,742,282</u>

During each year while bonds are outstanding, the District is required to levy and collect sufficient property taxes to provide for the payment of principal and interest as it becomes due. The revenue and bond payments are accounted for in the Debt Service Fund.

The District's outstanding bonds payable contain a provision that in the event of default, outstanding amounts will be paid from the corpus of the Texas Permanent School Fund.

Defeasance of Long-term Debt. During Fiscal Year 2025, the District defeased in substance an additional portion of its Unlimited Tax School Building Bonds, Series 2020 using existing resources on hand. The resources were accumulated as a result of excess Interest and Sinking property tax revenues than were necessary for debt service. The District placed \$2,821,841 (net of costs of defeasance) into an irrevocable trust to pay the debt service until the call date in August 2027. The outstanding principal of \$2,590,000 is considered defeased and has been removed from the District's financial statements.

Defeased Debt Outstanding. Because the District is no longer the obligor for defeased bonds, they are removed from the District's financial statements. As of June 30, 2025, the total outstanding defeased bonds is \$5,145,000; of this amount, \$2,555,000 will be callable in fiscal year 2027 and \$2,590,000 will be callable in fiscal year 2028.

Arbitrage. The Tax Reform act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. The District has engaged an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations. During fiscal year 2025, the District rebated \$364,982 to the IRS for its Series 2020 bonds; as of June 30, 2025, no remaining arbitrage liabilities are reported.

Financing Arrangements

The District has entered into an arrangement to finance the purchase of equipment. The District retains title to the underlying equipment during and after the duration of the agreement. The arrangements are direct borrowings and are secured by the financed assets. Details on the arrangements outstanding as of June 30, 2025, is as follows:

	Issue Amount	Maturity	Rate	Balance
Governmental activities				
iPads Master Lease 2024	\$ 4,520,400	2027	0%	\$ 2,260,200
Total Financing Arrangements				\$ 2,260,200

Presented below is a summary of financing arrangement requirements to maturity:

Year Ending June 30,	Financing Arrangements		Total Requirements
	Principal	Interest	
2026	\$ 1,130,100	\$ -	\$ 1,130,100
2027	1,130,100	-	1,130,100
Total	\$ 2,260,200	\$ -	\$ 2,260,200

III. OTHER INFORMATION

A. Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at <https://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at attention Finance Division, P.O. Box 149676, Austin, TX, 7814-0185, or by calling (800) 223-8778.

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

One-Time Stipends

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

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

Cost-of-Living Adjustment

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

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

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

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

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

	Contribution Rates	
	2024	2025
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
Current Fiscal Year Employer Contributions		\$ 2,468,962
Current Fiscal Year Member Contributions		5,496,234
2024 NECE On-behalf Contributions		3,916,493

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 and universities, medical schools, and other entities, including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

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

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

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

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

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

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

Discount Rate. A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00% percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.54% 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 investment 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2024 are summarized below:

Asset Class	Target Allocation ²	Long-Term Expected Geometric Real Rate of Return ³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.40%	1.00%
Non-US Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Absolute Return ¹	0.00%	4.00%	0.00%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources and Infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity			
Risk Parity	8.00%	4.00%	0.40%
Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag ⁴			-0.70%
Expected Return	100.00%		7.90%

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the FY2024 policy model.

³ Capital Market Assumptions (CMA) come from 2024 SAA Study CMA Survey (as of 12/31/24)

⁴ The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis. The following schedule presents the net pension liability of the plan using the discount rate of 7%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	\$ 40,031,493	\$ 25,062,707	\$ 12,660,003

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2025, the District reported a liability of \$25,062,707 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	\$ 25,062,707
State's proportionate share that is associated with the District	<u>42,452,653</u>
Total	<u>\$ 67,515,360</u>

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

At August 31, 2024 the employer's proportion of the collective net pension liability was 0.0410297861% which was an increase of 0.0005065834% from its proportion measured as of August 31, 2023.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation. The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

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

For the year ended June 30, 2025, the District recognized pension expense of \$8,461,488 and revenue of \$5,073,802 for support provided by the State.

At June 30, 2025, the District's proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,381,422	\$ 195,677
Changes in actuarial assumptions	1,294,041	173,487
Difference between projected and actual investment earnings	152,348	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,696,671	394,693
Contributions paid to TRS subsequent to the measurement date	<u>2,097,126</u>	<u>-</u>
Total	<u>\$ 6,621,608</u>	<u>\$ 763,857</u>

The District recognized \$2,097,126 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026. The other amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year ended June 30,</u>	<u>Pension Expense</u>
2026	\$ 304,337
2027	3,079,365
2028	685,691
2029	(423,395)
2030	114,627

B. Defined Other Post-Employment Benefit Plans

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

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

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

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

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

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

	<u>TRS-Care Monthly Premium Rates</u>	
	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999
* or surviving spouse		

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of salary. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2024. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contributions Rates	
	2024	2025
Active employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions		\$ 553,787
Current fiscal year member contributions		433,040
2024 measurement year NECE on-behalf contributions		673,502

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

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

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	2.95% to 8.95%, including inflation
Healthcare Trend Rates	The initial medical trend rates were 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 years.
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% participation after age 65. 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 3.87% was used to measure the total OPEB liability. This was a decrease of 0.26% in the discount rate since the previous year.

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

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

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

	1% Decrease in Discount Rate 2.87%	Discount Rate 3.87%	1% Increase in Discount Rate 4.87%
Proportionate share of net OPEB liability	\$ 21,338,025	\$ 17,960,594	\$ 15,231,579

Healthcare Cost Trend Sensitivity Analysis. The following schedule shows the impact of the net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the health care trend rates assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Proportionate share of net OPEB liability	\$ 14,626,237	\$ 17,960,594	\$ 22,305,593

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2025, the District reported a liability of \$17,960,594 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 17,960,594
State's proportionate share that is associated with the District	<u>22,504,381</u>
Total	<u>\$ 40,464,975</u>

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

At August 31, 2024 the District's proportion of the collective net OPEB liability was 0.0591752466% which was an increase of 0.0010133228% from its proportion measured 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 (TOL) 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.

For the year ended June 30, 2025, the District recognized OPEB expense of \$(4,641,038) and revenue of \$(2,925,154) for support provided by the State.

At June 30, 2025, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 3,442,443	\$ 8,963,310
Changes in actuarial assumptions	2,298,744	5,860,334
Differences between projected and actual investment earnings	-	50,296
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,469,857	264,149
Contributions paid to OPEB subsequent to the measurement date	<u>464,632</u>	<u>-</u>
Total as of fiscal year-end	<u>\$ 8,675,676</u>	<u>\$ 15,138,089</u>

The District recognized \$464,632 as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026. The other amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended June 30,</u>	<u>OPEB Expense</u>
2026	\$ (2,094,206)
2027	(1,280,750)
2028	(1,735,321)
2029	(1,381,108)
2030	(767,505)
Thereafter	331,845

C. Health Care Coverage

During the year ended June 30, 2025, employees of the District were covered by a state-wide health care plan, TRS Active Care. The District's participation in this plan is renewable annually. The District paid into the Plan \$479 per month per employee. Employees, at their option, pay premiums for any coverage above these amounts as well as for dependent coverage.

The Teachers Retirement System (TRS) manages TRS Active Care. The medical plan is administered by Blue Cross and Blue Shield of Texas, FIRSTCARE and Scott and White HMO. Medco Health administers the prescription drug plan. The latest financial information on the state-wide plan may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

D. Medicare Part D – On-behalf Payments

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments of \$428,443, \$380,780, and \$324,060 were recognized for the years ended June 30, 2025 and 2024, and the year ended August 31, 2023, respectively, as equal revenues and expenditures.

E. Risk Management

The District is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries insurance through the TASB Risk Management Fund (the Fund). There were no significant reductions in coverage in the current fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

F. Commitments and Contingencies

Contingencies

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

G. New Accounting Pronouncements

Significant new accounting standards issued by the GASB not yet implemented by the District include the following:

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

H. Change in Accounting Principle

During fiscal year 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. The adoption of this standard resulted in the recognition of additional liabilities for compensated absences. The cumulative effect of the accounting change increased liabilities and beginning net position by \$4,901,494 in the governmental activities. The restatement of beginning net position as follows:

	6/30/24 As Previously Reported	Change in Accounting Principle	6/30/24 As Restated
Governmental activities	<u>\$ 58,280,783</u>	<u>\$ (4,901,494)</u>	<u>\$ 53,379,289</u>

I. Related Party Transactions

In Fiscal Year 2025, the District received media services related to the Midway TV streaming platform from a contractor that a member of the Board of Trustees has a material interest in. That member abstained from all board votes relating to the procurement and payment of services. Amounts paid to the contractor for the year ended June 30, 2025, were \$6,000.

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REQUIRED SUPPLEMENTARY INFORMATION

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MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 59,467,852	\$ 60,417,852	\$ 61,110,641	\$ 692,789
5800	State program revenues	27,571,110	27,671,110	30,550,252	2,879,142
5900	Federal program revenues	850,000	850,000	624,188	(225,812)
5020	Total revenues	87,888,962	88,938,962	92,285,081	3,346,119
EXPENDITURES					
Current:					
0011	Instruction	53,203,327	53,528,327	52,773,484	754,843
0012	Instructional resources and media sources	954,117	954,117	971,449	(17,332)
0013	Curriculum and staff development	1,273,338	1,273,338	1,377,786	(104,448)
0021	Instructional leadership	2,267,210	2,567,210	2,496,885	70,325
0023	School leadership	4,908,828	4,908,828	4,893,001	15,827
0031	Guidance, counseling, and evaluation services	3,731,626	3,581,626	3,439,035	142,591
0032	Social work services	247,595	247,595	195,267	52,328
0033	Health services	971,388	971,388	960,862	10,526
0034	Student transportation	3,973,486	4,698,486	4,561,070	137,416
0036	Extracurricular activities	2,558,855	2,743,855	2,783,258	(39,403)
0041	General administration	3,676,493	3,716,493	3,679,439	37,054
0051	Facilities maintenance and operations	9,576,431	10,506,431	10,305,400	201,031
0052	Security and monitoring services	968,719	993,719	1,032,340	(38,621)
0053	Data processing services	1,216,546	1,216,546	1,190,609	25,937
0061	Community services	72,400	72,400	61,335	11,065
0081	Capital outlay	-	1,015,100	613,278	401,822
0099	Other governmental charges	725,000	775,000	725,836	49,164
6030	Total expenditures	90,325,359	93,770,459	92,060,334	1,710,125
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,436,397)	(4,831,497)	224,747	5,056,244
OTHER FINANCING SOURCES (USES)					
7912	Sale of property	-	-	20,705	20,705
7080	Total other financing souces (uses)	-	-	20,705	20,705
1200	NET CHANGE IN FUND BALANCES	(2,436,397)	(4,831,497)	245,452	5,076,949
0100	FUND BALANCES, BEGINNING	29,383,627	29,383,627	29,383,627	-
3000	FUND BALANCES, ENDING	\$ 26,947,230	\$ 24,552,130	\$ 29,629,079	\$ 5,076,949

MIDWAY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2025

Plan Year ended August 31,	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
District's proportion of the net pension liability (asset)	0.0410298%	0.0405232%	0.0373197%	0.0354234%
District's proportionate share of the net pension liability (asset)	\$ 25,062,707	\$ 27,835,530	\$ 22,155,727	\$ 9,021,086
State's proportionate share of the net pension liability (asset) associated with the District	<u>42,452,653</u>	<u>47,845,608</u>	<u>41,347,914</u>	<u>19,145,320</u>
Total	<u>\$ 67,515,360</u>	<u>\$ 75,681,138</u>	<u>\$ 63,503,641</u>	<u>\$ 28,166,406</u>
District's covered payroll	\$ 64,356,326	\$ 60,483,983	\$ 54,788,562	\$ 52,948,108
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	38.94%	46.02%	40.44%	17.04%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%	88.79%

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0346068%	0.0389919%	0.0390397%	0.0377122%	0.0383888%	0.0391641%
\$ 18,534,696	\$ 20,269,216	\$ 21,488,419	\$ 12,058,331	\$ 14,506,564	\$ 13,843,988
<u>40,394,033</u>	<u>35,793,805</u>	<u>37,666,295</u>	<u>23,465,413</u>	<u>27,653,871</u>	<u>26,800,331</u>
<u>\$ 58,928,729</u>	<u>\$ 56,063,021</u>	<u>\$ 59,154,714</u>	<u>\$ 35,523,744</u>	<u>\$ 42,160,435</u>	<u>\$ 40,644,319</u>
\$ 51,509,667	\$ 42,824,951	\$ 45,534,370	\$ 45,057,239	\$ 45,057,239	\$ 43,715,674
35.98%	47.33%	47.19%	26.76%	32.20%	31.67%
75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

MIDWAY INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM**

FOR THE YEAR ENDED JUNE 30, 2025

	<u>Fiscal Year Ended June 30,</u>		<u>Fiscal Year Ended August 31,</u>	
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contractually required contribution	\$ 2,468,962	\$ 2,233,551	\$ 2,042,280	\$ 1,741,446
Contributions in relation to the contractually required contribution	<u>(2,468,962)</u>	<u>(2,233,551)</u>	<u>(2,042,280)</u>	<u>(1,741,446)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 66,620,971	\$ 63,676,274	\$ 60,483,983	\$ 54,788,562
Contribution as a percentage of covered payroll	3.71%	3.51%	3.38%	3.18%

Fiscal Year Ended August 31,					
2021	2020	2019	2018	2017	2016
\$ 1,511,671	\$ 1,427,021	\$ 1,364,710	\$ 1,291,719	\$ 1,259,430	\$ 1,219,710
<u>(1,511,671)</u>	<u>(1,427,021)</u>	<u>(1,364,710)</u>	<u>(1,291,719)</u>	<u>(1,259,430)</u>	<u>(1,219,710)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 52,948,108	\$ 51,509,667	\$ 47,824,951	\$ 45,534,370	\$ 45,057,239	\$ 43,714,674
2.86%	2.77%	2.85%	2.84%	2.80%	2.79%

MIDWAY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2025

Plan Year ended August 31,	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
District's proportion of the net OPEB liability (asset)	0.0591752%	0.0581619%	0.0559043%	0.0565626%
District's proportionate share of the net OPEB liability (asset)	\$ 17,960,594	\$ 12,876,064	\$ 13,385,733	\$ 21,818,704
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>22,504,381</u>	<u>15,536,950</u>	<u>16,328,492</u>	<u>29,232,201</u>
Total	<u>\$ 40,464,975</u>	<u>\$ 28,413,014</u>	<u>\$ 29,714,225</u>	<u>\$ 51,050,905</u>
District's covered payroll	\$ 64,356,326	\$ 60,483,983	\$ 54,788,562	\$ 52,948,108
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	27.91%	21.29%	24.43%	41.21%
Plan fiduciary net position as a percentage of the total OPEB liability	13.70%	14.94%	11.52%	6.18%

Note: Only eight years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
0.0561905%	0.0545242%	0.0544982%	0.0514165%
\$ 21,360,544	\$ 25,785,170	\$ 27,211,473	\$ 22,359,111
<u>28,703,450</u>	<u>34,262,722</u>	<u>39,533,897</u>	<u>36,394,393</u>
<u>\$ 50,063,994</u>	<u>\$ 60,047,892</u>	<u>\$ 66,745,370</u>	<u>\$ 58,753,504</u>
\$ 51,509,667	\$ 47,824,951	\$ 45,534,370	\$ 45,057,239
41.47%	53.92%	59.76%	49.62%
4.99%	2.66%	1.57%	0.91%

MIDWAY INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM**

FOR THE YEAR ENDED JUNE 30, 2025

	<u>Fiscal Year Ended June 30,</u>		<u>Fiscal Year Ended August 31,</u>	
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contractually required contribution	\$ 553,787	\$ 521,551	\$ 447,184	\$ 404,373
Contributions in relation to the contractually required contribution	<u>(553,787)</u>	<u>(521,551)</u>	<u>(447,184)</u>	<u>(404,373)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 66,620,971	\$ 63,676,274	\$ 60,483,983	\$ 54,788,562
Contribution as a percentage of covered payroll	0.83%	0.82%	0.74%	0.74%

Note: Only eight years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

Fiscal Year Ended August 31,			
2021	2020	2019	2018
\$ 388,932	\$ 375,308	\$ 339,121	\$ 326,999
<u>(388,932)</u>	<u>(375,308)</u>	<u>(339,121)</u>	<u>(326,999)</u>
\$ -	\$ -	\$ -	\$ -
\$ 52,948,108	\$ 51,509,667	\$ 47,824,951	\$ 45,534,370
0.73%	0.73%	0.71%	0.72%

MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2025

Budgetary Information

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the National School Breakfast and Lunch Fund which is included in the Special Revenue Funds. The District presented the General Fund and Debt Service Fund budgetary comparison schedules as required supplementary information. The National School Breakfast and Lunch Fund budgetary comparison schedule is presented as a required TEA schedule. The District is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds. The District compares the final amended budget to actual revenue and expenditures.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to June 20, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days' public notice of the meeting must be given.
3. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments made before the fact are reflected in the official minutes of the Board and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. The District had no outstanding end-of-year encumbrances.

Excess of Expenditures over Appropriations

For the year ended June 30, 2025, expenditures exceeded appropriations in the Instructional Resources and Media Sources, Curriculum and Staff Development, Extracurricular Activities, and Security and Monitoring Services functions of the General Fund by \$17,332, \$104,448, \$39,403, and \$38,621, respectively. In the Child Nutrition Program Fund, expenditures exceeded appropriations in the Food Service function by \$96,228. In the Debt Service Fund, expenditures exceeded appropriations in Interest on Long-Term Debt by \$303,736. The overages were absorbed by other functions that were under budget, as well as greater than anticipated revenues.

COMBINING STATEMENTS

MIDWAY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2025

	211 ESEA I, A Improving Basic Program	224 IDEA- Part B Formula	225 IDEA- Part B Preschool	240 National Breakfast and Lunch Program
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 927,461
Due from other governments	79,046	214,095	1,848	-
Total assets	<u>79,046</u>	<u>214,095</u>	<u>1,848</u>	<u>927,461</u>
LIABILITIES				
Accounts payable	86	-	-	31,420
Accrued wages payable	-	-	-	251,220
Due to other funds	78,960	214,095	1,848	-
Unearned revenues	-	-	-	99,489
Total liabilities	<u>79,046</u>	<u>214,095</u>	<u>1,848</u>	<u>382,129</u>
FUND BALANCES				
Restricted	-	-	-	545,332
Committed	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>545,332</u>
Total liabilities and fund balances	<u>\$ 79,046</u>	<u>\$ 214,095</u>	<u>\$ 1,848</u>	<u>\$ 927,461</u>

EXHIBIT H-1

244 Vocational Ed Basic Grant	255 ESEA II, A Training and Recruiting	289 Smaller Learning Community	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds
\$ -	\$ -	\$ 14,828	\$ 73,204	\$ 6,771	\$ 816,535
<u>7,612</u>	<u>21,368</u>	<u>12,527</u>	<u>259,964</u>	<u>30,440</u>	<u>-</u>
<u>7,612</u>	<u>21,368</u>	<u>27,355</u>	<u>333,168</u>	<u>37,211</u>	<u>816,535</u>
-	-	-	-	-	4,053
-	-	-	-	-	46,690
7,612	21,368	9,330	333,168	37,157	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>7,612</u>	<u>21,368</u>	<u>9,330</u>	<u>333,168</u>	<u>37,157</u>	<u>50,743</u>
-	-	18,025	-	54	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>765,792</u>
<u>-</u>	<u>-</u>	<u>18,025</u>	<u>-</u>	<u>54</u>	<u>765,792</u>
\$ 7,612	\$ 21,368	\$ 27,355	\$ 333,168	\$ 37,211	\$ 816,535

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MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2025

	498 Midway Foundation Grant Funds	499 Locally Funded Grant Funds	699 Capital Project 2020	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 91,964	\$ 18,013	\$ 12,521	\$ 1,961,297
Due from other governments	-	-	-	626,900
Total assets	<u>91,964</u>	<u>18,013</u>	<u>12,521</u>	<u>2,588,197</u>
LIABILITIES				
Accounts payable	4,639	-	-	40,198
Accrued wages payable	-	-	-	297,910
Due to other funds	-	-	1,840	705,378
Unearned revenues	<u>87,325</u>	<u>17,865</u>	-	<u>204,679</u>
Total liabilities	<u>91,964</u>	<u>17,865</u>	<u>1,840</u>	<u>1,248,165</u>
FUND BALANCES				
Restricted	-	148	10,681	574,240
Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>765,792</u>
Total fund balances	<u>-</u>	<u>148</u>	<u>10,681</u>	<u>1,340,032</u>
Total liabilities and fund balances	<u>\$ 91,964</u>	<u>\$ 18,013</u>	<u>\$ 12,521</u>	<u>\$ 2,588,197</u>

MIDWAY INDEPENDENT SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2025

	211 ESEA I, A Improving Basic Program	224 IDEA- Part B Formula	225 IDEA- Part B Preschool	240 National Breakfast and Lunch Program
REVENUES				
Total local and intermediate sources	\$ -	\$ -	\$ -	\$ 1,649,479
State program revenues	-	-	-	138,816
Federal program revenues	<u>835,212</u>	<u>1,491,080</u>	<u>25,131</u>	<u>2,464,559</u>
Total revenues	<u>835,212</u>	<u>1,491,080</u>	<u>25,131</u>	<u>4,252,854</u>
EXPENDITURES				
Current:				
Instruction	761,089	835,297	25,131	-
Instructional resources and media services	-	-	-	-
Curriculum and instructional staff development	7,245	-	-	-
Instructional leadership	-	654,653	-	-
School leadership	-	-	-	-
Guidance, counseling and evaluation services	34,378	1,130	-	-
Social work services	32,500	-	-	-
Health services	-	-	-	-
Student transportation	-	-	-	-
Food services	-	-	-	4,909,538
Extracurricular activities	-	-	-	-
Facilities maintenance and operations	-	-	-	22,147
Security and monitoring services	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>835,212</u>	<u>1,491,080</u>	<u>25,131</u>	<u>4,931,685</u>
NET CHANGE IN FUND BALANCES	-	-	-	(678,831)
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,224,163</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 545,332</u>

244 Vocational Ed Basic Grant	255 ESEA II, A Training and Recruiting	289 Smaller Learning Community	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,945,836
-	-	-	693,139	362,467	-
<u>73,923</u>	<u>249,781</u>	<u>107,335</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>73,923</u>	<u>249,781</u>	<u>107,335</u>	<u>693,139</u>	<u>362,467</u>	<u>1,945,836</u>
71,523	249,181	103,244	693,139	15,814	159,361
-	-	-	-	99	55,200
-	600	-	-	-	-
2,400	-	-	-	-	-
-	-	-	-	-	42,900
-	-	-	-	-	103,845
-	-	-	-	-	-
-	-	-	-	-	21,841
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,309,863
-	-	-	-	-	-
-	-	-	-	346,574	28,291
-	-	-	-	-	131,239
-	-	-	-	-	-
<u>73,923</u>	<u>249,781</u>	<u>103,244</u>	<u>693,139</u>	<u>362,487</u>	<u>1,852,540</u>
-	-	4,091	-	(20)	93,296
-	-	<u>13,934</u>	<u>-</u>	<u>74</u>	<u>672,496</u>
\$ -	\$ -	\$ 18,025	\$ -	\$ 54	\$ 765,792

MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2025

	498 Midway Foundation Grant Funds	499 Locally Funded Grant Funds	699 Capital Project 2020	Total Nonmajor Governmental Funds
REVENUES				
Total local and intermediate sources	\$ 202,550	\$ 55,613	\$ 43,580	\$ 3,897,058
State program revenues	-	-	-	1,194,422
Federal program revenues	-	-	-	5,247,021
Total revenues	<u>202,550</u>	<u>55,613</u>	<u>43,580</u>	<u>10,338,501</u>
EXPENDITURES				
Current:				
Instruction	199,017	8,384	-	3,121,180
Instructional resources and media services	-	-	-	55,299
Curriculum and instructional staff development	3,533	-	-	11,378
Instructional leadership	-	-	-	657,053
School leadership	-	-	-	42,900
Guidance, counseling and evaluation services	-	-	-	139,353
Social work services	-	-	-	32,500
Health services	-	-	-	21,841
Student transportation	-	-	14,732	14,732
Food services	-	-	-	4,909,538
Extracurricular activities	-	2,230	-	1,312,093
Facilities maintenance and operations	-	45,000	837,040	904,187
Security and monitoring services	-	-	198,569	573,434
Community services	-	-	-	131,239
Capital outlay	-	-	1,091,961	1,091,961
Total expenditures	<u>202,550</u>	<u>55,614</u>	<u>2,142,302</u>	<u>13,018,688</u>
NET CHANGE IN FUND BALANCES	-	(1)	(2,098,722)	(2,680,187)
FUND BALANCES, BEGINNING	<u>-</u>	<u>149</u>	<u>2,109,403</u>	<u>4,020,219</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ 148</u>	<u>\$ 10,681</u>	<u>\$ 1,340,032</u>

REQUIRED TEA SCHEDULES

MIDWAY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2025

Fiscal Year Ended June 30,	1	2	3	10
	Tax Rates		Net Assessed/ Appraised Value for School Tax Purpose	Beginning Balance 07/01/24
	Maintenance	Debt Service		
2016 and prior years	Various	Various	Various	\$ 145,853
2017	1.040000	0.280000	4,447,328,673	41,417
2018	1.040000	0.280000	4,715,922,135	48,458
2019	1.040000	0.280000	4,986,584,635	47,790
2020	0.970000	0.280000	5,841,971,938	68,343
2021	0.966400	0.270000	4,807,014,603	78,234
2022	0.894300	0.270000	6,288,896,075	104,692
2023	0.854600	0.270000	7,496,726,036	201,650
2024	0.699200	0.240000	8,407,870,610	547,023
2025	0.696900	0.240000	8,278,958,160	-
1000 Totals				<u>\$ 1,283,460</u>

8000 - Taxes refunded

EXHIBIT J-1

20	31	32	40	50	99
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 06/30/25	Total Taxes Refunded under Section 26.1115 (c)
\$ -	\$ 18,532	\$ 4,990	\$ (7,202)	\$ 115,129	
-	4,371	1,177	-	35,869	
-	4,391	1,182	-	42,885	
-	9,925	2,672	-	35,193	
-	8,225	2,374	(3,276)	54,468	
-	11,362	3,292	(3,240)	60,340	
-	30,375	9,171	7,516	72,662	
-	17,749	5,608	(68,889)	109,404	
-	561,722	216,912	347,574	115,963	
<u>77,565,559</u>	<u>57,029,125</u>	<u>19,639,819</u>	<u>-</u>	<u>896,615</u>	
<u>\$ 77,565,559</u>	<u>\$ 57,695,777</u>	<u>\$ 19,887,197</u>	<u>\$ 272,483</u>	<u>\$ 1,538,528</u>	
					<u>\$ 42,548</u>

MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CHILD NUTRITION PROGRAM FUND**

FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES				
5700	Local and intermediate sources	\$ 1,653,580	\$ 1,723,580	\$ 1,649,479	\$ (74,101)
5800	State program revenues	96,550	146,550	138,816	(7,734)
5900	Federal program revenues	2,389,435	2,479,435	2,464,559	(14,876)
5020	Total revenues	4,139,565	4,349,565	4,252,854	(96,711)
	EXPENDITURES				
	Current:				
0035	Food service	4,278,310	4,813,310	4,909,538	(96,228)
0051	Facilities maintenance and operations	23,000	23,000	22,147	853
6030	Total expenditures	4,301,310	4,836,310	4,931,685	(95,375)
1200	NET CHANGE IN FUND BALANCES	(161,745)	(486,745)	(678,831)	(192,086)
0100	FUND BALANCES, BEGINNING	1,224,163	1,224,163	1,224,163	-
3000	FUND BALANCES, ENDING	\$ 1,062,418	\$ 737,418	\$ 545,332	\$ (192,086)

MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND**

FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget
		Original	Final		Positive
					(Negative)
	REVENUES				
5700	Local and intermediate sources	\$ 20,144,446	\$ 20,144,446	\$ 20,856,221	\$ 711,775
5800	State program revenues	<u>250,000</u>	<u>250,000</u>	<u>2,043,657</u>	<u>1,793,657</u>
5020	Total revenues	<u>20,394,446</u>	<u>20,394,446</u>	<u>22,899,878</u>	<u>2,505,432</u>
	EXPENDITURES				
	Debt service:				
0071	Principal on long-term debt	13,260,000	13,260,000	13,260,000	-
0072	Interest on long-term debt	6,128,737	6,128,737	6,432,473	(303,736)
0073	Bond issuance costs and fees	<u>248,685</u>	<u>248,685</u>	<u>248,685</u>	<u>-</u>
6030	Total expenditures	<u>19,637,422</u>	<u>19,637,422</u>	<u>19,941,158</u>	<u>(303,736)</u>
1200	NET CHANGE IN FUND BALANCES	<u>757,024</u>	<u>757,024</u>	<u>2,958,720</u>	<u>2,201,696</u>
0100	FUND BALANCES, BEGINNING	<u>21,687,961</u>	<u>21,687,961</u>	<u>21,687,961</u>	<u>-</u>
3000	FUND BALANCES, ENDING	\$ 22,444,985	\$ 22,444,985	\$ 24,646,681	\$ 2,201,696

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2025

Section A: Compensatory Education Programs

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 4,800,336
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30)	\$ 4,544,211

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	\$ 214,778
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25)	\$ 121,869

FEDERAL AWARDS SECTION

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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
Midway Independent School District
Woodway, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midway Independent School District (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 9, 2025



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Trustees
Midway Independent School District
Woodway, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Midway Independent School District's (the "District") 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 the District's major federal programs for the year ended June 30, 2025. The 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, the 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 June 30, 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 the 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 the 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 District's federal programs.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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 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 the 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 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 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 the 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 9, 2025

MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(1) Assistance Listing Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
U. S. Department of Agriculture			
<u>Passed through Texas Education Agency:</u>			
National School Breakfast Program	10.553	71402401	\$ 119,202
National School Breakfast Program	10.553	71402501	537,800
<i>Total 10.553</i>			657,002
National School Lunch Program	10.555	71302401	356,714
National School Lunch Program	10.555	71302501	1,494,747
<i>Total Passed through Texas Education Agency</i>			2,508,463
<u>Passed through Texas Department of Agriculture:</u>			
Non-cash assistance - Food Distribution Program	10.555	NT4XL1YGLGC5	247,293
<i>Total 10.555</i>			2,098,754
<i>Total Child Nutrition Cluster</i>			2,755,756
COVID-19 - Commodity Delivery Reimbursement	10.560	NT4XL1YGLGC5	9,861
<i>Total Passed through Texas Department of Agriculture</i>			257,154
Total U. S. Department of Agriculture			2,765,617
U. S. Department of Education			
<u>Passed through Education Service Center Region X:</u>			
SPED Contracted Services Capacity Grant	84.027A	236600497110001	25,705
<i>Total Passed through Education Service Center Region X</i>			
<u>Passed through Texas Education Agency:</u>			
ESEA Title I, Part A	84.010A	24610101161903	130,037
ESEA Title I, Part A	84.010A	25610101161903	740,016
<i>Total 84.010</i>			870,053
IDEA-B - Special Education Grants to States	84.027A	246600011619036000	185,675
IDEA-B - Special Education Grants to States	84.027A	256600011619036000	1,359,867
<i>Total 84.027</i>			1,571,247
IDEA-B - Special Education Preschool Grants	84.173A	246610011619036000	7,203
IDEA-B - Special Education Preschool Grants	84.173A	256610011619036000	17,928
<i>Total 84.173</i>			25,131
<i>Total Special Education (IDEA) Cluster</i>			1,596,378
Carl D. Perkins Basic Grant	84.048A	25420006161903	73,923
Title II, Part A - Teacher and Principal Training	84.367A	25694501161903	36,069
Teacher Leadership Cycle 2 Continuation Grant	84.367A	25694501161903	213,712
<i>Total 84.367</i>			249,781
Title IV - Part A - Summer LEP	84.369A	69552302	3,196
Title IV - Part A - Subpart 1	84.424A	24680101161903	11,831
Title IV - Part A - Subpart 1	84.424A	25680101161903	66,603
<i>Total 84.424</i>			78,434
<i>Total Passed through Texas Education Agency</i>			2,871,765
Total U. S. Department of Education			2,871,765
U. S. Department of Health and Human Services			
<u>Passed through Texas Health and Human Services Commission:</u>			
Medicaid Cluster - Medicaid Administrative			
Claiming Program - MAC	93.778	529-07-0157-00011	21,316
<i>Total Passed through Texas Health and Human Services Commission</i>			21,316
Total U. S. Department of Health and Human Services			21,316
Total Expenditures of Federal Awards			\$ 5,658,698

MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2025

GENERAL

The Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all applicable federal award programs of Midway Independent School District (the "District"). The District's reporting entity is defined in Note I of the financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the SEFA.

BASIS OF ACCOUNTING

The SEFA is presented using the modified accrual basis of accounting. The District's significant accounting policies, including the modified accrual basis of accounting, are presented in Note 1 of the basic financial statements. The SEFA is presented in accordance with the 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)*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

PASS-THROUGH EXPENDITURES

None of the federal programs expended by the District were provided to subrecipients.

INDIRECT COSTS

The District did not elect to use a de minimis cost rate as described at 2 CFR §200.414(f)—Indirect (F&A) costs.

RECONCILIATION OF FEDERAL REVENUES AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following is the reconciliation of federal revenues and the Schedule of Expenditures of Federal Awards for the fiscal year:

Federal revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (Exhibit C-3)	\$ 5,871,209
School health and related services revenue	<u>(212,511)</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards (Exhibit K-1)	<u>\$ 5,658,698</u>

MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
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Identification of major programs:

Assistance Listing Number(s) 10.553 and 10.555 84.010A	Name of Federal Program or Cluster: Child Nutrition Cluster ESEA Title I, Part A
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Dollar threshold used to distinguish between type A and type B programs	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

Findings and Questioned Costs for Federal Awards

None

MIDWAY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025

None noted.

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