MIDWAY

ANNUAL FINANCIAL REPORT

YEAR END JUNE 30, 2026

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MIDWAY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2026

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CERTIFICATE OF BOARD

Midway Independent School District	McLennan	161903
Name of School District	County	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, 2026, at a meeting of the Board of Trustees of such school district on the ___ day of December, 2026.

Signature of Board Secretary	Signature of Board President

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

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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

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, 2026, 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, 2026, 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.

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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.

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
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AICPA
GAQC Member

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.

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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 _____, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Waco, Texas
_____, 2026

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Midway Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2026. The MD&A provides a narrative overview and analysis of the financial statements of the District for the fiscal year ended June 30, 2026, focusing on why amounts changed from prior year. Please read it in conjunction with the District's basic financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial report contains basic financial statements. Those financial statements present the District's finances at both an overall and a detailed level. The first two—*the government-wide financial statements*—cover the District's governmental activities (the primary government).

- *Governmental activities* comprise the District's basic educational and support functions, including instruction, instructional leadership, school leadership, guidance and counseling, health services, student transportation, food services, general administration, plant maintenance and operations, security and monitoring services, extracurricular activities, debt service, and capital-related activities. Governmental activities primarily are financed by property taxes, state aid, and federal and state grants.

- *Business-type activities* represent the activity of the District's 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. The Panther Kids program was discontinued during 2026.

The remaining basic financial statements present the District's finances in greater detail and present fiduciary activities. As their name implies, the fund financial statements disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The District reports two groups of funds:

- *Governmental fund financial statements* report the District's governmental activities except for those accounted for fiduciary funds. In addition to the District's main operating fund—the General Fund—those financial statements report Special Revenue Funds to track the use of resources restricted or committed for specified purposes, including federal and state grant programs; a Debt Service Fund to record resources used to pay principal, interest, and related costs on outstanding debt; and Capital Projects Funds to account for resources used to acquire, construct, renovate, and equip school facilities and other capital assets.

- *Proprietary fund financial statements* report all the business-type activities (*enterprise fund*).

- *Fiduciary fund financial statements* report resources for which the District acts as a custodian for Student Activities. The resources in those funds do not belong to the District and cannot be used to provide services, which is why they are not included in the government-wide financial statements.

The next section of this financial report contains *notes to financial statements*, which delve deeper into the District's finances as reported in the financial statements. The District uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements, such as certain contingencies.

TYPES OF INFORMATION

The government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements use the *economic resources measurement focus and accrual basis of accounting*. In other words, they comprehensively report all types of financial statement elements:

- *Assets* — resources the District controls, from short-term assets such as cash, investments, receivables, and inventory to long-term assets such as land, buildings, equipment, vehicles, and construction in progress.

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- *Liabilities* — amounts the District owes, from short-term liabilities such as accounts payable and salaries payable to long-term liabilities such as outstanding bonds, leases, subscription-based information technology arrangement liabilities, compensated absences, and net amounts related to pensions and other postemployment benefits, as applicable.

- *Deferred outflows of resources and deferred inflows of resources* — flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related

- *Revenues and expenses* — inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the *current financial resources measurement focus and modified accrual basis of accounting* to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on the construction of a District building.

ANALYSIS OF THE DISTRICT'S FINANCES

Net position for the year ended June 30, 2026, as compared to the year ended June 30, 2025, is presented as follows:

TABLE 1
MIDWAY INDEPENDENT SCHOOL DISTRICT

NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2026	2025	2026	2025	2026	2025
Current and other assets	$ 151,405,420	$ 69,930,916	$ 5,787	$ 248,918	$ 151,411,207	$ 70,179,834
Capital assets	229,358,155	231,929,123	-	-	229,358,155	231,929,123
Total assets	380,763,575	301,860,039	5,787	248,918	380,769,362	302,108,957
Deferred outflows of resources	16,750,733	16,469,823	-	-	16,750,733	16,469,823
Other liabilities	15,866,703	13,203,725	5,787	5,239	15,872,490	13,208,964
Long-term liabilities	298,232,261	229,528,834	-	-	298,232,261	229,528,834
Total liabilities	314,098,964	242,732,559	5,787	5,239	314,104,751	242,737,798
Deferred inflows of resources	16,837,098	15,901,946	-	-	16,837,098	15,901,946
Net position:						
Net investment in capital assets	56,340,644	51,941,199	-	-	56,340,644	51,941,199
Restricted	26,773,012	22,889,030	-	-	26,773,012	22,889,030
Unrestricted	(16,535,410)	(15,134,872)	-	243,679	(16,535,410)	(14,891,193)
Total net position	$ 66,578,246	$ 59,695,357	$ -	$ 243,679	$ 66,578,246	$ 59,939,036

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Net position may serve over time as a useful indicator of the District's financial position. As of June 30, 2026, net position was $66,578,246, an increase of $6,639,210, or 11%, compared with the prior year. This increase in net position was entirely attributable to the governmental activities; the District's sole business-type activity, the Panther Kids day care, was discontinued during 2026 and, as such, business-type net position decreased to zero during the year. The Panther Kids revenues and expenses decreased due to the closure, and the residual assets were transferred to the District's food service operations in a governmental fund. As such, the following discussion of the District's financial performance will focus on the governmental activities, which substantially represent the District's entire financial performance.

Governmental Activities

The following table shows the revenues continued to exceed expenses in the current year, resulting in an increase in net position. The total net position of the District's governmental activities was over $66 million, an increase of $6,882,889, or 12%, from 2025. This change in net position is consistent with prior year's activity, with a 3% increase in revenues and expenses. This increase is largely attributed to increased state funding and salary increases mandated by the 89th Texas legislature. Property tax assessed values decreased, which reduced tax revenues as the rates stayed flat. The increase in state revenue largely was used to cover those salary increases.

TABLE 2

MIDWAY INDEPENDENT SCHOOL DISTRICT

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2026	2025	2026	2025	2026	2025
REVENUES						
Program revenues:						
Charges for services	$ 2,301,868	$ 2,429,701	$ 475,855	$ 652,294	$ 2,777,723	$ 3,081,995
Operating grants and contributions	13,722,513	13,774,357	-	-	13,722,513	13,774,357
General revenues:						
Maintenance and operations taxes	55,403,200	58,052,402	-	-	55,403,200	58,052,402
Debt service taxes	19,082,403	19,997,537	-	-	19,082,403	19,997,537
State aid - formula grants	32,802,276	25,299,205	-	-	32,802,276	25,299,205
Investment earnings	3,431,000	2,818,414	-	-	3,431,000	2,818,414
Miscellaneous local and intermediate	291,440	379,547	-	-	291,440	379,547
Total revenues	127,034,700	122,751,163	475,855	652,294	127,510,555	123,403,457
EXPENSES						
Instruction	66,074,338	61,032,009	-	-	66,074,338	61,032,009
Instructional resources and media services	1,165,385	1,165,233	-	-	1,165,385	1,165,233
Curriculum and staff development	1,091,801	1,385,992	-	-	1,091,801	1,385,992
Instructional leadership	3,331,110	3,180,426	-	-	3,331,110	3,180,426
School leadership	4,815,468	4,849,967	-	-	4,815,468	4,849,967
Guidance, counseling and evaluation services	3,613,102	3,489,348	-	-	3,613,102	3,489,348
Social work services	207,401	224,510	-	-	207,401	224,510
Data processing services	1,371,481	1,264,305	-	-	1,371,481	1,264,305
Community services	231,552	192,279	-	-	231,552	192,279
Health services	888,437	967,848	-	-	888,437	967,848
Student (pupil) transportation	4,517,798	4,918,725	-	-	4,517,798	4,918,725
Food services	4,916,831	5,159,803	-	-	4,916,831	5,159,803
Co-curricular/extracurricular activities	5,979,981	5,456,682	-	-	5,979,981	5,456,682
General administration	3,725,360	3,731,825	-	-	3,725,360	3,731,825
Plant maintenance and operations	10,859,941	12,040,379	-	-	10,859,941	12,040,379
Security and monitoring services	1,508,349	1,564,578	-	-	1,508,349	1,564,578
Debt service - interest on long-term debt	5,393,431	5,085,350	-	-	5,393,431	5,085,350
Panther kids day care	-	-	371,391	601,225	371,391	601,225
Other governmental charges	808,188	725,836	-	-	808,188	725,836
Total expenses	120,499,954	116,435,095	371,391	601,225	120,871,345	117,036,320
Increase (decrease) in net position before transfers	6,534,746	6,316,068	104,464	51,069	6,639,210	6,367,137
Transfers	348,143	-	(348,143)	-	-	-
CHANGE IN NET POSITION	6,882,889	6,316,068	(243,679)	51,069	6,639,210	6,367,137
NET POSITION, BEGINNING	59,695,357	53,379,289	243,679	192,610	59,939,036	53,571,899
NET POSITION, ENDING	$ 66,578,246	$ 59,695,357	$ -	$ 243,679	$ 66,578,246	$ 59,939,036

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From an operating perspective, the District's operating revenues and expenses were largely even. The increase in net position relates primarily to long-term items. Principal payments and premium amortization on long-term debt serve to increase net position, and depreciation on capital assets is an expense that decreases net position. For FY26, these amounted to approximately $14.9 million and $10.9 million, respectively, and the net $4 million is the primary driver of the increase in the District's net position.

Change in Revenues

Overall, changes in revenues were primarily attributable to the changes in tax and state foundation revenues, discussed previously. The state's Foundation School Program (FSP) allotment increased from $25.3 million in FY25 to $32.8 million in FY26. As mentioned in a previous section, the 89th Texas Legislature enacted House Bill (HB) 2 into law in June 2025, allowing the District to receive additional funding based on several FSP funding components including teacher and support staff retention funding, special education, career and technical education (CTE), school safety, transportation, allotment for basic costs and prekindergarten components. The most notable other change was an increase in investment earnings. This resulted primarily from the issuance of new bonds, which greatly increased the amount of cash deposits for the District. The issuance of this debt is discussed in more detail in the next section of this discussion.

Change in Expenses

Generally, expense increases were attributable to salary increases District-wide, as well as continued price increases for numerous goods and services.

Expenditures by function remained comparable to prior year in most functions except for the following:

- $294,191, or 21%, decrease in Curriculum and staff development. This is largely attributed to
- $107,176, or 8%, increase in Data processing services.
- $400,927, or 8%, increase in Student (pupil) transportation due to fuel cost increases.
- $523,299, or 10%, increase in Co-curricular/extracurricular activities.

Governmental Funds

The District reports three major funds individually in the governmental fund financial statements. Those funds are the general fund, debt service fund, and capital projects fund. Most of the discussion regarding governmental activities is equally applicable to the finances of these governmental funds. However, certain factors that are relevant to the District's current financial health are more apparent in the fund financial statements than in the government-wide financial statements, specifically in the capital projects fund.

The General Fund is the primary operating fund of the District. During the year, its fund balance decreased by approximately $570,000 due to cost increases outpacing the corresponding changes in revenue. This reflects the item described previously, where long-term items increased net position but revenues and expenditures related to operations were close to even. Because the District's governmental funds do not report long-term items, revenues and expenditures reflected only a slight decrease in fund balance, compared to a slight increase in the prior year.

The District's debt service fund levies an interest & sinking property tax to service the District's bonded debt. During fiscal year 2026, its fund balance increased $4,677,963. As described previously, the District's tax revenues were down this year; however, this was in part by design, as the District's debt service payments for the year were also over $2 million less than in fiscal year 2025. The District strives to assess a steady I&S tax rate over time, and fund balance will sometimes fluctuate as some years' scheduled debt service will be more than others.

The Capital Projects Fund had a net increase in fund balance in the amount of $76,789,379. This resulted from the issuance of its Series 2026 bonds, which provided nearly $84 million in net proceeds for various future capital projects. Total expenditures for the year were $8.3 million, which includes costs related to multiple bond issuances. Fund balance will decrease in future years as the bond proceeds are spent.

Business-type Activities and Enterprise Fund

Business-type activities remained immaterial to the District's overall financial position. As described previously, the Panther Kids program was discontinued, which lead to the enterprise fund transferring all its remaining assets by June 30, 2026.

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SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2026, amounts to $229.4 million (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress (CIP), buildings and improvements, and furniture and equipment.

The District's net balances for capital assets decreased due to annual depreciation exceeding the value of newly-added assets. The most significant activity in capital assets relates to the purchase of new buses; 14 new buses were purchased with a total cost of $2.3 million. Other significant transactions included almost $2 million in bond-funded project costs and the replacement of roofs totaling $1.5 million.

More information on the District's capital assets can be found in the notes to the financial statements.

Long-Term Financing

At the end of the current fiscal year, the District's total long-term financing included general obligation bonds, premiums on outstanding bonds, and financing arrangements in the amount of $250.4 million. The most significant change was the issuance of the District's Series 2026 bonds for $84.2 million. The bonds' face value of $75,025,000 will be repaid in series over 20 years. No other significant debt-related transactions occurred other than continued, scheduled principal payments.

Additional information on the District's long-term debt can be found in the notes to the financial statements.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The District is aware of the following known facts, decisions, or conditions that are expected to have a significant effect on its financial position or results of operations in the subsequent fiscal year and that were considered in developing the fiscal year 2027 budget:

- The District's elected officials considered many factors when setting the fiscal year 2027 budget and tax rates. Due to an increase in property values, the District expects tax revenue to increase modestly for fiscal year 2027. In accordance with funding formulas, the District expects to receive a decrease in State funding to offset the increased tax revenue. The District expects enrollment and weighted average daily attendance (WADA) to remain flat for FY 2027. Consequently, the District expects its Tier 1 entitlement from the State to be similar to the prior year. The budget includes raises for staff of approximately 2%.

- The District's 2026-2027 refined average daily attendance (ADA) is expected to be 8,093.5. The budget is based on enrollment of 8,387 with 96.5% attendance.

- The District enrollment decreased 109 students from FY 2025 to FY 2026.

- The District has appropriated $2,613,937 of available fund balance for spending in the subsequent fiscal year budget. Of that amount, $2,593,208 is budgeted to be used from the General Fund. This action was taken as an additional measure to address anticipated budgetary and operational needs.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances 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, 2026

Data Control Codes		Primary Government 1 Governmental Activities	2 Business-type Activities	3 Total
	ASSETS			
1110	Cash and cash equivalents	$ 146,802,320	$ 5,787	$ 146,808,107
1210	Current property taxes receivable	480,325	-	480,325
1220	Delinquent property taxes receivable	662,703	-	662,703
1230	Allowance for uncollectible taxes (credit)	(328,943)	-	(328,943)
1240	Due from other governments	3,789,015	-	3,789,015
	Capital assets:			
1510	Land	11,013,386	-	11,013,386
1520	Buildings and improvements, net	206,771,251	-	206,771,251
1530	Furniture and equipment, net	9,782,973	-	9,782,973
1580	Construction in progress	1,790,545	-	1,790,545
1000	Total assets	380,763,575	5,787	380,769,362
	DEFERRED OUTFLOWS OF RESOURCES			
1701	Deferred loss on bond refunding	658,709	-	658,709
1705	Pension related	8,429,756	-	8,429,756
1706	OPEB related	7,662,268	-	7,662,268
1700	Total deferred outflows of resources	16,750,733	-	16,750,733
	LIABILITIES			
2110	Accounts payable	1,589,483	-	1,589,483
2140	Accrued interest payable	3,262,130	-	3,262,130
2160	Accrued wages payable	10,875,198	5,787	10,880,985
2300	Unearned revenue	139,892	-	139,892
	Noncurrent liabilities:			
	Due within one year:			
2501	Bonds, loans, and compensated absences	19,169,661	-	19,169,661
	Due in more than one year:			
2502	Bonds, loans, and compensated absences	237,178,661	-	237,178,661
2540	Net pension liability	26,860,371	-	26,860,371
2545	Net OPEB liability	15,023,568	-	15,023,568
2000	Total liabilities	314,098,964	5,787	314,104,751
	DEFERRED INFLOWS OF RESOURCES			
2605	Pension related	1,405,061	-	1,405,061
2606	OPEB related	15,432,037	-	15,432,037
2600	Total deferred inflows of resources	16,837,098	-	16,837,098
	NET POSITION			
3200	Net investment in capital assets	56,340,644	-	56,340,644
	Restricted for:			
3820	Federal and state programs	578,813	-	578,813
3850	Debt service	26,194,199	-	26,194,199
3900	Unrestricted	(16,535,410)	-	(16,535,410)
3000	Total net position	$ 66,578,246	$ -	$ 66,578,246

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

MIDWAY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2026

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues 3 Charges for Services	Program Revenues 4 Operating Grants and Contributions
	Primary government:			
	Governmental activities:			
11	Instruction	$ 66,074,338	$ 365,212	$ 4,852,655
12	Instructional resources and media services	1,165,385	-	80,062
13	Curriculum and staff development	1,091,801	-	26,680
21	Instructional leadership	3,331,110	-	783,962
23	School leadership	4,815,468	-	175,809
31	Guidance, counseling, and evaluation services	3,613,102	-	288,141
32	Social work services	207,401	-	31,643
33	Health services	888,437	-	550,219
34	Student transportation	4,517,798	-	76,328
35	Food service	4,916,831	1,549,894	2,734,430
36	Extracurricular activities	5,979,981	263,851	1,604,315
41	General administration	3,725,360	-	176,538
51	Facilities maintenance and operations	10,859,941	122,911	142,290
52	Security and monitoring services	1,508,349	-	65,453
53	Data processing services	1,371,481	-	29,844
61	Community services	231,552	-	172,833
72	Interest on long-term debt	5,393,431	-	1,931,311
99	Other governmental charges	808,188	-	-
TG	Total governmental activities	120,499,954	2,301,868	13,722,513
	Business-type activities:			
04	Panther kids day care	371,391	475,855	-
TB	Total business-type activities	371,391	475,855	-
TP	Total primary government	$ 120,871,345	$ 2,777,723	$ 13,722,513
	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			
FR	Transfers			
TR	Total general revenues and transfers			
CN	Change in net position			
NB	Net position - beginning			
NE	Net position - ending			

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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
$ (60,856,471)	$ -	$ (60,856,471)
(1,085,323)	-	(1,085,323)
(1,065,121)	-	(1,065,121)
(2,547,148)	-	(2,547,148)
(4,639,659)	-	(4,639,659)
(3,324,961)	-	(3,324,961)
(175,758)	-	(175,758)
(338,218)	-	(338,218)
(4,441,470)	-	(4,441,470)
(632,507)	-	(632,507)
(4,111,815)	-	(4,111,815)
(3,548,822)	-	(3,548,822)
(10,594,740)	-	(10,594,740)
(1,442,896)	-	(1,442,896)
(1,341,637)	-	(1,341,637)
(58,719)	-	(58,719)
(3,462,120)	-	(3,462,120)
(808,188)	-	(808,188)
(104,475,573)	-	(104,475,573)
-	104,464	104,464
-	104,464	104,464
$ (104,475,573)	$ 104,464	$ (104,371,109)
55,403,200	-	55,403,200
19,082,403	-	19,082,403
32,802,276	-	32,802,276
3,431,000	-	3,431,000
291,440	-	291,440
348,143	(348,143)	-
111,358,462	(348,143)	111,010,319
6,882,889	(243,679)	6,639,210
59,695,357	243,679	59,939,036
$ 66,578,246	$ -	$ 66,578,246

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MIDWAY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2026

Data Control Codes		10 General	50 Debt Service
	ASSETS		
1110	Cash and cash equivalents	$ 35,871,084	$ 29,254,911
1210	Current property taxes receivable	357,283	123,042
1220	Delinquent property taxes receivable	509,614	153,089
1230	Allowance for uncollectible taxes (credit)	(254,230)	(74,713)
1240	Due from other governments	2,985,338	-
1260	Due from other funds	786,995	-
1000	Total assets	40,256,084	29,456,329
	LIABILITIES		
2110	Accounts payable	200,429	-
2160	Accrued wages payable	10,584,106	-
2170	Due to other funds	-	-
2300	Unearned revenue	-	-
2000	Total liabilities	10,784,535	-
	DEFERRED INFLOWS OF RESOURCES		
2605	Unavailable revenue - property taxes	412,940	131,685
2600	Total deferred inflows of resources	412,940	131,685
	FUND BALANCES		
	Restricted for:		
3450	Federal and state programs	-	-
3470	Construction	-	-
3480	Debt service	-	29,324,644
	Committed for:		
3545	Campus activity	-	-
	Assigned for:		
3590	Next year's budget	2,593,208	-
3600	Unassigned	26,465,401	-
3000	Total fund balances	29,058,609	29,324,644
4000	Total liabilities, deferred inflows of resources and fund balances	$ 40,256,084	$ 29,456,329

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

60 Capital Projects	onmf Other Governmental	98 Total Governmental Funds
$ 78,144,816	$ 1,892,219	$ 145,163,030
-	-	480,325
-	-	662,703
-	-	(328,943)
-	803,677	3,789,015
-	-	786,995
78,144,816	2,695,896	150,553,125
1,355,437	33,617	1,589,483
-	291,092	10,875,198
-	786,995	786,995
-	139,892	139,892
1,355,437	1,251,596	13,391,568
-	-	544,625
-	-	544,625
-	578,813	578,813
76,789,379	-	76,789,379
-	-	29,324,644
-	865,487	865,487
-	-	2,593,208
-	-	26,465,401
76,789,379	1,444,300	136,616,932
$ 78,144,816	$ 2,695,896	$ 150,553,125

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

JUNE 30, 2026

	Total Fund Balances - Governmental Funds	$ 136,616,932
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.	2,486,865
2	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	227,380,480
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.	544,625
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.	(248,676,790)
	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	(3,262,130)
6	Compensated absences	(5,882,723)
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	8,429,756
	Deferred inflows related to pensions	(1,405,061)
	Net pension liability	(26,860,371)
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	7,662,268
	Deferred inflows related to OPEB	(15,432,037)
	Net OPEB liability	(15,023,568)
29	**Net position of governmental activities**	$ 66,578,246

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

MIDWAY INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2026

Data Control Codes		10 General	50 Debt Service
	REVENUES		
5700	Local and intermediate sources	$ 58,419,791	$ 19,981,849
5800	State program revenues	38,380,043	1,931,311
5900	Federal program revenues	628,948	-
5020	Total revenues	97,428,782	21,913,160
	EXPENDITURES		
	Current:		
0011	Instruction	58,228,773	-
0012	Instructional resources and media services	981,056	-
0013	Curriculum and staff development	1,083,084	-
0021	Instructional leadership	2,619,669	-
0023	School leadership	4,875,926	-
0031	Guidance, counseling, and evaluation services	3,525,840	-
0032	Social work services	180,029	-
0033	Health services	903,917	-
0034	Student transportation	4,064,203	-
0035	Food service	-	-
0036	Extracurricular activities	2,940,826	-
0041	General administration	3,682,891	-
0051	Facilities maintenance and operations	10,798,362	-
0052	Security and monitoring services	1,536,428	-
0053	Data processing services	1,278,917	-
0061	Community services	66,935	-
	Debt service:		
0071	Principal on long-term debt	-	11,330,000
0072	Interest on long-term debt	-	5,904,801
0073	Bond issuance costs and fees	-	2,000
0081	Capital outlay	424,208	-
0099	Other intergovernmental charges	808,188	-
6030	Total expenditures	97,999,252	17,236,801
1100	**EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES**	(570,470)	4,676,359
	OTHER FINANCING SOURCES (USES)		
7911	Issuance of bonds	-	-
7915	Transfer in	-	1,604
7916	Premium or discount on issuance of bonds	-	-
8911	Transfer out	-	-
7080	Total other financing souces (uses)	-	1,604
1200	**NET CHANGE IN FUND BALANCES**	(570,470)	4,677,963
0100	**FUND BALANCES, BEGINNING**	29,629,079	24,646,681
3000	**FUND BALANCES, ENDING**	$ 29,058,609	$ 29,324,644

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

60 Capital Projects	onmf Other Governmental	98 Total Governmental Funds
$ 856,294	$ 3,975,667	$ 83,233,601
-	1,215,304	41,526,658
-	5,380,641	6,009,589
856,294	10,571,612	130,769,848
207,914	3,350,412	61,787,099
-	52,216	1,033,272
-	7,822	1,090,906
-	705,840	3,325,509
-	45,954	4,921,880
-	195,119	3,720,959
-	30,000	210,029
-	105	904,022
2,806,464	-	6,870,667
-	4,674,533	4,674,533
1,069,943	1,506,725	5,517,494
-	1,112	3,684,003
206,824	43,936	11,049,122
311,194	28,270	1,875,892
1,085,007	-	2,363,924
-	165,013	231,948
-	-	11,330,000
-	-	5,904,801
734,369	-	736,369
1,879,569	8,430	2,312,207
-	-	808,188
8,301,284	10,815,487	134,352,824
(7,444,990)	(243,875)	(3,582,976)
75,025,000	-	75,025,000
-	348,143	349,747
9,210,973	-	9,210,973
(1,604)	-	(1,604)
84,234,369	348,143	84,584,116
76,789,379	104,268	81,001,140
-	1,340,032	55,615,792
$ 76,789,379	$ 1,444,300	$ 136,616,932

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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, 2026

Net change in fund balances - total governmental funds	$ 81,001,140
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.	(1,440,868)
Property tax revenues that do not provide current financial resources are not reported as revenues in the funds.	(324,426)
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.	(72,905,973)
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.	699,405
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.	(1,145,339)
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 $2,312,933. 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 $2,097,126. 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 $846,527.	(630,720)
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 $489,362. 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 $464,632. 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 $1,604,940.	
	1,629,670
Change in net position of governmental activities	$ 6,882,889

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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, 2026

	Business-type Activities	Governmental Activities
	Enterprise	Internal Service
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,787	$ 1,639,290
Total current assets	5,787	1,639,290
Noncurrent assets:		
Furniture and equipment	-	4,520,400
Accumulated depreciation	-	(2,542,725)
Total noncurrent assets	-	1,977,675
Total assets	5,787	3,616,965
LIABILITIES		
Current liabilities:		
Accrued wages payable	5,787	-
Financing arrangements payable	-	1,130,100
Total current liabilities	5,787	1,130,100
Total liabilities	5,787	1,130,100
NET POSITION		
Net investment in capital assets	-	847,575
Unrestricted	-	1,639,290
Total net position	$ -	$ 2,486,865

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

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

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

FOR THE YEAR ENDED JUNE 30, 2026

	Business-type Activities	Governmental Activities
	Enterprise	Internal Service
OPERATING REVENUES		
Local and intermediate sources	$ 475,855	$ 12,694
Total operating revenues	475,855	12,694
OPERATING EXPENSES		
Payroll costs	331,158	-
Professional and contracted services	-	14,840
Supplies and materials	2,417	13,093
Other operating costs	37,816	-
Depreciation expense	-	1,130,100
Total operating expenses	371,391	1,158,033
OPERATING INCOME (LOSS)	104,464	(1,145,339)
Transfer out	(348,143)	-
CHANGE IN NET POSITION	(243,679)	(1,145,339)
NET POSITION, BEGINNING	243,679	3,632,204
NET POSITION, ENDING	$ -	$ 2,486,865

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

MIDWAY INDEPENDENT SCHOOL DISTRICT **EXHIBIT D-3**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2026

	Business-type Activities	Governmental Activities
	Enterprise	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	$ 475,855	$ -
Cash received from interfund charges for computer operations	-	12,694
Cash payments to employees for services	(331,158)	(14,840)
Cash payments for suppliers	(29,458)	(13,093)
Net cash provided (used) by operating activities	115,239	(15,239)
CASH FLOWS NONCAPITAL FINANCING ACTIVITIES		
Cash paid to other funds	(348,143)	-
Net cash provided (used) by noncapital financing activities	(348,143)	-
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	(232,904)	(1,145,339)
CASH, BEGINNING	238,691	2,784,629
CASH, ENDING	5,787	1,639,290
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	104,464	(1,145,339)
Depreciation	-	1,130,100
Effect of increases and decreases in current assets and liabilities:		
(Increase) decrease in accounts receivable	10,227	-
Increase (decrease) in wages payable	548	-
Net cash provided (used) by operating activities	$ 115,239	$ (15,239)

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

MIDWAY INDEPENDENT SCHOOL DISTRICT **EXHIBIT E-1**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2026

	Private-Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and cash equivalents	$ 43,564	$ 86,078
Total assets	43,564	86,078
LIABILITIES		
Accounts payable	-	139
Total liabilities	-	139
NET POSITION		
Restricted for:		
Scholarships	43,564	-
Student groups	-	85,939
Total net position	$ 43,564	$ 85,939

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

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2026

	Private-Purpose Trust Fund	Custodial Fund
ADDITIONS		
Investment earnings:		
Interest	$ 1,623	$ -
Total investment earnings	1,623	-
Donations received	2,000	
Collections from student groups	-	158,324
Total additions	3,623	158,324
DEDUCTIONS		
Payments on-behalf of student groups	-	159,419
Total deductions	-	159,419
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	3,623	(1,095)
NET POSITION, BEGINNING	39,941	87,034
NET POSITION, ENDING	$ 43,564	$ 85,939

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

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.

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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.

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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.

Capital Projects Fund – The Capital Projects Fund is used to account for the proceeds of the Unlimited Tax School Building Bonds, Series 2026 and the associated acquisition, construction, renovation and equipment of school facilities in the District.

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.

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. This program was ended during fiscal year 2026 and its remaining resources were transferred to the National Breakfast and Lunch Program Fund, a nonmajor special revenue fund.

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.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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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, 2026, 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

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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.

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- 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.

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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, 2026, 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, 2026.

Investment Type	Reported Value	Standar & Poor's	Weighted Average Maturity (Days)
Lone Star Investment Pool	$ 76,650,930	AAAm	45
Commercial Mutual Funds	15,160,900	N/A	1
	91,811,830		
Plus: Depository Cash	55,125,919		
Total Cash and Investments	$ 146,937,749		

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.

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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	$ 866,897	$ 276,131
Allowance for uncollectible taxes	(254,230)	(74,713)
Total receivables, net of allowance	$ 612,667	$ 201,418

C. Capital Assets

Capital asset activity for the year ended June 30, 2026, was as follows:

	Beginning Balance 7/1/25	Increases	Decreases	Ending Balance 6/30/26
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 11,013,386	$ -	$ -	$ 11,013,386
Construction in progress	182,000	1,790,545	(182,000)	1,790,545
Total capital assets, not being depreciated	11,195,386	1,790,545	(182,000)	12,803,931
Capital assets, being depreciated:				
Buildings	324,720,226	1,578,604	-	326,298,830
Furniture and equipment	23,244,835	5,167,153	-	28,411,988
Total capital assets, being depreciated	347,965,061	6,745,757	-	354,710,818
Less accumulated depreciation for:				
Buildings	(110,644,435)	(8,883,144)	-	(119,527,579)
Furniture and equipment	(16,586,889)	(2,042,126)	-	(18,629,015)
Total accumulated depreciation	(127,231,324)	(10,925,270)	-	(138,156,594)
Capital assets, being depreciated, net	220,733,737	(4,179,513)	-	216,554,224
Governmental activities capital assets, net	$ 231,929,123	$ (2,388,968)	$ (182,000)	$ 229,358,155

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

Governmental activities:	
Instruction	$ 6,803,461
Instructional resources and media services	173,695
Curriculum development and instructional staff development	34,068
Instructional leadership	150,013
School leadership	103,959
Guidance, counseling and evaluation services	39,261
Health services	21,798
Student (pupil) transportation	521,820
Food services	332,277
Extracurricular activities	1,409,669
General administration	163,486
Plant maintenance and operations	1,051,179
Data processing services	120,584
Total depreciation expense - governmental activities	$ 10,925,270

D. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2026, is as follows:

Due to	Due from	Amount
General fund	Nonmajor governmental	$ 786,995
		$ 786,995

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. Interfund Transfers

Interfund transfers for the year ended June 30, 2026, were as follows:

Transfer in	Transfer out	Amount	Purpose
Debt Service	Capital Projects	$ 1,604	Rounding amount on bond issuance
Nonmajor governmental	Panther Kids Enterprise Fund	348,143	Residual assets on closure of enterprise fund
		$ 349,747	

F. 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:

	Nonmajor Governmental
Unspent grant proceeds	$ 41,756
Prepaid food service accounts	98,136
Total unearned revenue	$ 139,892

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G. Long-term Liabilities

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

	Beginning Balance	Additions	Retired / Refunded	Ending Balance 6/30/26	Due Within One Year
Governmental activities:					
General obligation bonds	$ 157,480,000	$ 75,025,000	$ 11,330,000	$ 221,175,000	$ 16,035,000
Financing arangements	2,260,200	-	1,130,100	1,130,100	1,130,100
Premium on bonds	21,430,944	9,210,973	2,481,418	28,160,499	-
Total long-term debt	181,171,144	84,235,973	14,941,518	250,465,599	17,165,100
Compensated absences	5,334,389	548,334	-	5,882,723	2,004,561
Net pension liability	25,062,707	1,797,664	-	26,860,371	-
Net OPEB liability	17,960,594	-	2,937,026	15,023,568	-
Total long-term liabilities	$ 229,528,834	$ 86,581,971	$ 17,878,544	$ 298,232,261	$ 19,169,661

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, 2026, is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Retired	Amounts Outstanding 6/30/26
2015 Unlimited Tax Refunding	2% - 5%	$ 37,285,000	$ 7,305,000	$ 2,310,000
2017 Unlimited Tax Refunding	4% - 4.5%	8,390,000	-	4,160,000
2018 Unlimited Tax Refunding	2% - 4%	3,860,000	725,000	225,000
2020 Unlimited Tax School Bldg	2% - 5%	125,395,000	1,505,000	117,560,000
2020 Unlimited Tax Refunding	1.24% - 5%	14,705,000	1,795,000	9,395,000
2021 Unlimited Tax Refunding	2% - 5%	12,500,000	-	12,500,000
2026 Unlimited Tax School Bldg	5%	75,025,000	-	75,025,000
Total bonds payable			$ 11,330,000	$ 221,175,000

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

Year Ending June 30,	General Requirements Principal	General Requirements Interest	Total Requirements
2027	$ 16,035,000	$ 8,647,257	$ 24,682,257
2028	8,630,000	8,446,872	17,076,872
2029	11,295,000	7,973,376	19,268,376
2030	11,765,000	7,466,996	19,231,996
2031	12,310,000	6,895,981	19,205,981
2032-2036	59,375,000	26,627,888	86,002,888
2037-2041	70,885,000	14,206,125	85,091,125
2042-2046	25,085,000	4,772,075	29,857,075
2047	5,795,000	6,939,875	12,734,875
Total	$ 221,175,000	$ 91,976,445	$ 313,151,445

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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.

New Debt Issuance. In March 2026, the District issued its Unlimited Tax School Building Bonds, Series 2026, in the amount of $75,025,000. The net proceeds of $83,500,000 (including an issuance premium of $9,210,973 net of costs of issuance) were deposited into the Capital Projects Fund for the purposes of constructing improving, expanding, and renovating school facilities and equipment, as well as for the purchase of instructional technology. The bonds bear interest at 5% per annum and mature in series from 2026 through 2046.

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, 2026, 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 2026, the District rebated $102,506 to the IRS for its Series 2021 bonds; as of June 30, 2026, 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, 2026, is as follows:

	Issue Amount	Maturity	Rate	Balance
Governmental activities				
iPads Master Lease 2024	$ 4,520,400	2027	0%	$ 1,130,100
Total Financing Arrangements				$ 1,130,100

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

Year Ending June 30,	Financing Arrangements Principal	Interest	Total Requirements
2027	1,130,100	-	1,130,100
Total	$ 1,130,100	$ -	$ 1,130,100

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

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.

	Contribution Rates	
	2025	2026
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%

Current Fiscal Year Employer Contributions	$ 2,705,439
Current Fiscal Year Member Contributions	5,815,674
2025 measurement year NECE On-behalf Contributions	4,007,036

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.

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

- All public schools, charter schools, and regional education service centers must contribute 2.0% of the member's salary beginning 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, 2024 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2024 rolled forward to August 31, 2025
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	5.23% - The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.
Last Year Ending August 31 in Projection Period (100 Years)	2124
Inflation	2.30%
Salary increases including inflation	3.20% to 9.20%
Ad hoc post-employment benefit changes	None

Effective with the measurement date of August 31, 2025, the salary increase assumption was modified to reflect anticipated changes in future contribution levels resulting from the enactment of House Bill 2 (HB2) by the 2025 Texas Legislature. Except for the change in salary increase assumption, the actuarial assumptions used in the determination of the Total Pension Liability are the same assumptions used in the actuarial valuation as of August 31, 2024. For a full description of these assumptions please see the actuarial valuation report dated November 21, 2024.

Discount Rate. A single discount rate of 7.00% was used to measure the Total Pension Liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.54% of payroll in fiscal year 2026 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

The long-term expected rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation age and by adding expected inflation.

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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, 2025 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			
All Country	39.00%	4.14%	2.18%
USA	0.00%	3.85%	0.00%
Non-US Developed	5.00%	4.60%	0.31%
Emerging Markets	1.00%	4.71%	0.07%
Private Equity	12.00%	6.80%	1.19%
Stable Value			
Government Bonds - Nominal	10.00%	2.59%	0.33%
Government Bonds - Real	6.00%	1.97%	0.13%
Absolute Return[1]	0.00%	3.91%	0.00%
Stable Value Hedge Funds	5.00%	1.68%	0.09%
Real Return			
Real Estate	15.00%	4.60%	0.86%
Energy, Natural Resources and Infrastructure	6.00%	4.86%	0.36%
Commodities	0.00%	2.96%	0.00%
Risk Parity			
Risk Parity	5.00%	4.38%	0.26%
Leverage			
Cash	2.00%	51.00%	0.01%
Asset Allocation Leverage	-6.00%	0.81%	-0.05%
Inflation Expectation			2.30%
Volatility Drag[4]			-0.71%
Expected Return	100.00%		7.33%

[1] Absolute Return includes Credit Sensitive Investments.

[2] Target allocations are based on the FY2025 policy model.

[3] Capital Market Assumptions (CMA) come from Meketa Investment Group's 2025 CMAs.

[4] The volatility drag results from the coversion between arithmetic and geometric mean returns.

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Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% point lower than and 1% point higher than the discount rate that was used (7%) in measuring the Net Pension Liability:

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	$ 43,289,177	$ 26,860,371	$ 13,187,097

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2026, the District reported a liability of $26,860,371 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	$ 26,860,371
State's proportionate share that is associated with the District	43,125,609
Total	$ 69,985,980

The net pension liability was measured as of August 31, 2025 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, 2024 thru August 31, 2025.

At August 31, 2025 the employer's proportion of the collective net pension liability was 0.0426709126% which was an increase of 0.0016411265% from its proportion measured as of August 31, 2024.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation. The 2025 Texas Legislature passed HB2, which modified the future compensation structure for active employees covered by the System. As a result, a new salary increase assumption was adopted for determining the Net Pension Liability as of the August 31, 2025 measurement date. All other actuarial assumptions and methods remain the same as used in the determination of the prior year's Net Pension Liability.

There have been no changes to the benefit provisions since the prior valuation.

For the year ended June 30, 2026, the District recognized pension expense of $9,044,415 and revenue of $4,003,636 for support provided by the State.

At June 30, 2026, 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	$ 1,611,549	$ 94,116
Changes in actuarial assumptions	2,575,969	-
Difference between projected and actual investment earnings	-	1,220,681
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,929,305	90,264
Contributions paid to TRS subsequent to the measurement date	2,312,933	-
Total	$ 8,429,756	$ 1,405,061

The District recognized $2,312,933 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, 2027. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense
2027	$ 3,375,758
2028	886,120
2029	(259,088)
2030	308,033
2031	400,939

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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.gove/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 88th Legislature amended Texas Insurance Code Chapter 1575 via Senate Bill 1854 allowing TRS to offer coverage for dental and vision care to retirees. In accordance with Chapter 1575.1601, TRS established the TRS-Care Dental and TRS-Care Vision plans. TRS-Care Dental and TRS-Care Vision are optional plans that are available to retirees who are eligible for TRS-Care, including their dependents, surviving spouses, and surviving dependent children. Retirees do not have to be enrolled in TRS-Care medical and pharmacy plans to be eligible for TRS-Care Dental and TRS-Care Vision. The first enrollment period for the plans began in October 2024 and coverage started in January 2025.

The General Appropriations Act passed by the 88th Legislature included funding to maintain TRS-Care premiums at their current level through 2025. Also, the 86th Legislature passed Senate Bill 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at $381,400,000 as of August 31, 2025.

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

	TRS-Care Monthly Premium Rates			
	Medicare	Non-Medicare	TRS-Care Dental	TRS-Care Vision
Retiree*	$ 75	$ 200	$ 41.64	$ 6.89
Retiree and Spouse	280	689	84.29	13.79
Retiree* and Children	408	408	87.45	15.57
Retiree and Family	613	999	129.93	24.08

* or surviving spouse

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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 a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2025. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contributions Rates	
	2025	2026
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	$ 580,416
Current fiscal year member contributions	458,208
2025 measurement year NECE on-behalf contributions	738,385

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to. When hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of $535 per retiree.

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2024. Updated procedures were used to roll forward the total OPEB liability to August 31, 2025. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2024 TRS pension actuarial valuation that was rolled forward to August 31, 2025:

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.

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Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2024 rolled forward to August 31, 2025
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	5.23% as of August 31, 2025
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	3.20% to 9.20%, including inflation
Healthcare Trend Rates	The initial medical trend rates were 7.35 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 9.00 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 14 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 5.23% was used to measure the total OPEB liability. This was an increase of 1.36% 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, 2025, 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 (5.23%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate 4.23%	Discount Rate 5.23%	1% Increase in Discount Rate 6.23%
Proportionate share of net OPEB liability	$ 17,643,607	$ 15,023,568	$ 12,864,472

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	$ 12,422,380	$ 15,023,568	$ 18,326,310

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OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2026, the District reported a liability of $15,023,568 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	$ 15,023,568
State's proportionate share that is associated with the District	19,932,085
Total	$ 34,955,653

The Net OPEB Liability was measured as of August 31, 2025 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2024 thru August 31, 2025.

At August 31, 2025 the District's proportion of the collective net OPEB liability was 0.0602695665% which was an increase of 0.0010943199% from its proportion measured as of August 31, 2024.

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 3.87% as of August 31, 2024 to 5.23% as of August 31, 2025.
- The salary increase rates were revised to match those used in the pension valuation, and the health care trend rates were reset to reflect the plan's anticipated experience.

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, 2026, the District recognized OPEB expense of $2,978,666 and revenue of $2,302,990 for support provided by the State.

At June 30, 2026, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	$ 2,939,198	$ 8,947,393
Changes in actuarial assumptions	1,857,791	6,170,580
Differences between projected and actual investment earnings	-	92,398
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,375,917	221,666
Contributions paid to OPEB subsequent to the measurement date	489,362	-
Total as of fiscal year-end	$ 7,662,268	$ 15,432,037

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The District recognized $489,362 as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2027. 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:

For the Year Ended June 30,	OPEB Expense
2027	$ (1,710,593)
2028	(2,169,833)
2029	(1,808,888)
2030	(1,182,041)
2031	(1,037,627)
Thereafter	(350,149)

C. Health Care Coverage

During the year ended June 30, 2026, 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 $559,219, $469,225, and $362,126 were recognized for the years ended June 30, 2026, 2025, and 2024, 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.

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G. New Accounting Pronouncements

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

GASB Statement No 105, *Subsequent Events* – The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement will become effective for fiscal years beginning after June 15, 2026, and the impact has not yet been determined.

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REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEAR ENDED JUNE 30, 2026

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Over (Under) Original Budget	Actual Amounts	Final Budget to Actual Variance Positive (Negative)
	REVENUES					
5700	Local and intermediate sources	$56,927,241	$57,127,241	$ 200,000	$58,419,791	$ 1,292,550
5800	State program revenues	36,901,289	37,801,289	900,000	38,380,043	578,754
5900	Federal program revenues	643,295	868,295	225,000	628,948	(239,347)
5020	Total revenues	94,471,825	95,796,825	1,325,000	97,428,782	1,631,957
	EXPENDITURES					
	Current:					
0011	Instruction	57,930,676	58,770,676	840,000	58,228,773	541,903
0012	Instructional resources and media sources	1,055,593	1,055,593	-	981,056	74,537
0013	Curriculum and staff development	1,397,611	1,397,611	-	1,083,084	314,527
0021	Instructional leadership	2,803,947	2,803,947	-	2,619,669	184,278
0023	School leadership	5,018,262	5,018,262	-	4,875,926	142,336
0031	Guidance, counseling, and evaluation services	3,624,084	3,624,084	-	3,525,840	98,244
0032	Social work services	182,158	182,158	-	180,029	2,129
0033	Health services	975,154	975,154	-	903,917	71,237
0034	Student transportation	3,841,779	4,073,179	231,400	4,064,203	8,976
0036	Extracurricular activities	2,725,146	2,925,146	200,000	2,940,826	(15,680)
0041	General administration	3,987,017	3,987,017	-	3,682,891	304,126
0051	Facilities maintenance and operations	10,726,166	10,961,166	235,000	10,798,362	162,804
0052	Security and monitoring services	1,469,680	1,584,680	115,000	1,536,428	48,252
0053	Data processing services	1,342,484	1,417,484	75,000	1,278,917	138,567
0061	Community services	72,400	72,400	-	66,935	5,465
0081	Capital outlay	-	430,000	430,000	424,208	5,792
0099	Other governmental charges	811,500	811,500	-	808,188	3,312
6030	Total expenditures	97,963,657	100,090,057	2,126,400	97,999,252	2,090,805
1200	**NET CHANGE IN FUND BALANCES**	(3,491,832)	(4,293,232)	(801,400)	(570,470)	3,722,762
0100	**FUND BALANCES, BEGINNING**	29,629,079	29,629,079	-	29,629,079	-
3000	**FUND BALANCES, ENDING**	$26,137,247	$25,335,847	$ (801,400)	$29,058,609	$ 3,722,762

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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, 2026

Plan Year ended August 31,	2025	2024	2023	2022
District's proportion of the net pension liability	0.0426709%	0.0410298%	0.0405232%	0.0373197%
District's proportionate share of the net pension liability (asset)	$26,860,371	$25,062,707	$27,835,530	$22,155,727
State's proportionate share of the net pension liability (asset) associated with the District	43,125,609	42,452,653	47,845,608	41,347,914
Total	$69,985,980	$67,515,360	$75,681,138	$63,503,641
District's covered payroll	$66,877,931	$64,356,326	$60,483,983	$54,788,562
District's proportionate share of the net pension liability (asset) as a percentage of its covered	40.16%	38.94%	46.02%	40.44%
Plan fiduciary net position as a percentage of the total pension liability	78.24%	77.51%	73.15%	75.62%

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2021	2020	2019	2018	2017	2016
0.0354234%	0.0346068%	0.0389919%	0.0390397%	0.0377122%	0.0383888%
$ 9,021,086	$ 18,534,696	$ 20,269,216	$ 21,488,419	$ 12,058,331	$ 14,506,564
19,145,320	40,394,033	35,793,805	37,666,295	23,465,413	27,653,871
$ 28,166,406	$ 58,928,729	$ 56,063,021	$ 59,154,714	$ 35,523,744	$ 42,160,435
$ 52,948,108	$ 51,509,667	$ 42,824,951	$ 45,534,370	$ 45,057,239	$ 45,057,239
17.04%	35.98%	47.33%	47.19%	26.76%	32.20%
88.79%	75.54%	75.24%	73.74%	82.17%	78.00%

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MIDWAY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2026

	Fiscal Year Ended June 30,		Fiscal Year Ended August 31,	
	2026	2025	2024	2023
Contractually required contribution	$ 2,705,439	$ 2,468,962	$ 2,233,551	$ 2,042,280
Contributions in relation to the contractually required contribution	(2,705,439)	(2,468,962)	(2,233,551)	(2,042,280)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 70,481,829	$ 66,620,971	$ 63,676,274	$ 60,483,983
Contribution as a percentage of covered payroll	3.84%	3.71%	3.51%	3.38%

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Fiscal Year Ended August 31,					
2022	2021	2020	2019	2018	2017
$ 1,741,446	$ 1,511,671	$ 1,427,021	$ 1,364,710	$ 1,291,719	$ 1,259,430
(1,741,446)	(1,511,671)	(1,427,021)	(1,364,710)	(1,291,719)	(1,259,430)
$ -	$ -	$ -	$ -	$ -	$ -
$ 54,788,562	$ 52,948,108	$ 51,509,667	$ 47,824,951	$ 45,534,370	$ 45,057,239
3.18%	2.86%	2.77%	2.85%	2.84%	2.80%

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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, 2026

Plan Year ended August 31,	2025	2024	2023	2022
District's proportion of the net OPEB liability (asset)	0.0602696%	0.0591752%	0.0581619%	0.0559043%
District's proportionate share of the net OPEB liability (asset)	$ 15,023,568	$ 17,960,594	$ 12,876,064	$ 13,385,733
State's proportionate share of the net OPEB liability (asset) associated with the District	19,932,085	22,504,381	15,536,950	16,328,492
Total	$ 34,955,653	$ 40,464,975	$ 28,413,014	$ 29,714,225
District's covered payroll	$ 66,877,931	$ 64,356,326	$ 60,483,983	$ 54,788,562
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	22.46%	27.91%	21.29%	24.43%
Plan fiduciary net position as a percentage of the total OPEB liability	18.26%	13.70%	14.94%	11.52%

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Note: Only nine 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 informaiton that is not measured in accordance with the requirements of this Statement."

2021	2020	2019	2018	2017
0.0565626%	0.0561905%	0.0545242%	0.0544982%	0.0514165%
$ 21,818,704	$ 21,360,544	$ 25,785,170	$ 27,211,473	$ 22,359,111
29,232,201	28,703,450	34,262,722	39,533,897	36,394,393
$ 51,050,905	$ 50,063,994	$ 60,047,892	$ 66,745,370	$ 58,753,504
$ 52,948,108	$ 51,509,667	$ 47,824,951	$ 45,534,370	$ 45,057,239
41.21%	41.47%	53.92%	59.76%	49.62%
6.18%	4.99%	2.66%	1.57%	0.91%

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MIDWAY INDEPENDENT SCHOOL DISTRICT **EXHIBIT G-5**

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2026

	Fiscal Year Ended June 30,		Fiscal Year Ended August 31,	
	2026	2025	2024	2023
Contractually required contribution	$ 580,416	$ 553,787	$ 521,551	$ 447,184
Contributions in relation to the contractually required contribution	(580,416)	(553,787)	(521,551)	(447,184)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 70,481,829	$ 66,620,971	$ 63,676,274	$ 60,483,983
Contribution as a percentage of covered payroll	0.82%	0.83%	0.82%	0.74%

Note: Only nine 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."□

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Fiscal Year Ended August 31,				
2022	2021	2020	2019	2018
$ 404,373	$ 388,932	$ 375,308	$ 339,121	$ 326,999
(404,373)	(388,932)	(375,308)	(339,121)	(326,999)
$ -	$ -	$ -	$ -	$ -
$ 54,788,562	$ 52,948,108	$ 51,509,667	$ 47,824,951	$ 45,534,370
0.74%	0.73%	0.73%	0.71%	0.72%

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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.

Significant Budgetary Variances

The table on the following page presents discussion of the General Fund's significant variances between the original and final budget, as well as significant variances between the final budget and actual results.

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Revenues - Differences between Original Budget and Final Budget	Final Budget Variance With Original Budget Over (Under)
State Programs: The original budget for State programs included Teacher Incentive Allotment funds based on the PY amount of $1.2 million. The budget was adjusted to account for the current year TIA of $2 million.	$ 900,000

Expenditures - Differences between Original Budget and Final Budget	Final Budget Variance With Original Budget Over (Under)
Instruction: The original budget was amended to provide for Teacher Incentive Allotment (TIA) payments. The allotment was not known at the time the original budget was set.	$ 840,000
Student Transportation: The final budget reflects an increase over the original budget for the increase of fuel prices.	$ 231,400
Capital Outlay: Funds for the Middle School Roofing Project were originally budgeted in FY 25, but the project was not completed until FY 26.	$ 430,000

Revenues - Differences from Final Budget to Actual	Final Budget To Actual Variance Positive/(Negative)
Local and Intermediate Sources: The increase for the Final Actual amount is due to an increase of $445k to the Tax Levy during the year as well as higher than budgeted % of tax collections.	$ 1,292,550
State Programs: Actual revenues exceeded the final budget. The District received additional state aid of $663k from the 2024 Property Value Study audit.	$ 578,754

Expenditures - Differences from Final Budget to Actual	Final Budget To Actual Variance Positive/(Negative)
Instruction: Actual expenditures were less than the final budget due to teacher turnover and vacancies. Delays in filling these positions resulted in lower personnel expenditures than budgeted.	$ 541,903
Curriculum and Staff Development: The original budget provided for outsourcing of curriculum content; this content was provided in house yielding $100k of savings. Four PDS Coordinators were budgeted but only two were utilized resulting in savings of $100k. Travel costs were also less than budgeted.	$ 314,527
General Administration: Actual expenditures were less than budget due to temporary vacancies in the Finance and HR Departments and lower than budgeted legal expenditures.	$ 304,126

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COMBINING STATEMENTS

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MIDWAY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2026

	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	$ -	$ -	$ -	$ 911,972
Due from other governments	58,842	200,918	45	-
Total assets	58,842	200,918	45	911,972
LIABILITIES				
Accounts payable	-	-	-	18,588
Accrued wages payable	-	13,415	-	238,977
Due to other funds	58,842	187,503	45	-
Unearned revenues	-	-	-	98,136
Total liabilities	58,842	200,918	45	355,701
FUND BALANCES				
Restricted	-	-	-	556,271
Committed	-	-	-	-
Total fund balances	-	-	-	556,271
Total liabilities and fund balances	$ 58,842	$ 200,918	$ 45	$ 911,972

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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
$ -	$ -	$ 22,297	$ -	$ 97	$ 915,949
5,567	20,155	4,359	513,791	-	-
5,567	20,155	26,656	513,791	97	915,949
3,267	-	-	-	-	11,762
-	-	-	-	-	38,700
2,300	20,155	4,359	513,791	-	-
-	-	-	-	-	-
5,567	20,155	4,359	513,791	-	50,462
-	-	22,297	-	97	-
-	-	-	-	-	865,487
-	-	22,297	-	97	865,487
$ 5,567	$ 20,155	$ 26,656	$ 513,791	$ 97	$ 915,949

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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2026

	498 Midway Foundation Grant Funds	499 Locally Funded Grant Funds	699 Capital Project 2020	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 24,005	$ 17,899	$ -	$ 1,892,219
Due from other governments	-	-	-	803,677
Total assets	24,005	17,899	-	2,695,896
LIABILITIES				
Accounts payable	-	-	-	33,617
Accrued wages payable	-	-	-	291,092
Due to other funds	-	-	-	786,995
Unearned revenues	24,005	17,751	-	139,892
Total liabilities	24,005	17,751	-	1,251,596
FUND BALANCES				
Restricted	-	148	-	578,813
Committed	-	-	-	865,487
Total fund balances	-	148	-	1,444,300
Total liabilities and fund balances	$ 24,005	$ 17,899	$ -	$ 2,695,896

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MIDWAY INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2026

	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	$ -	$ -	$ -	$ 1,576,230
State program revenues	-	-	-	165,552
Federal program revenues	742,054	1,610,985	7,871	2,637,059
Total revenues	742,054	1,610,985	7,871	4,378,841
EXPENDITURES				
Current:				
Instruction	711,511	842,609	7,871	-
Instructional resources and media services	-	-	-	-
Curriculum and instructional staff development	543	-	-	-
Instructional leadership	-	700,538	-	-
School leadership	-	-	-	-
Guidance, counseling and evaluation services	-	67,838	-	-
Social work services	30,000	-	-	-
Health services	-	-	-	-
Food services	-	-	-	4,674,533
Extracurricular activities	-	-	-	-
General administration	-	-	-	-
Facilities maintenance and operations	-	-	-	41,512
Security and monitoring services	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	742,054	1,610,985	7,871	4,716,045
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	(337,204)
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	348,143
Total other financing sources (uses)	-	-	-	348,143
NET CHANGE IN FUND BALANCES	-	-	-	10,939
FUND BALANCES, BEGINNING	-	-	-	545,332
FUND BALANCES, ENDING	$ -	$ -	$ -	$ 556,271

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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
$ -	$ -	$ -	$ -	$ -	$ 2,203,455
-	-	-	1,034,646	15,106	-
88,051	240,123	54,498	-	-	-
88,051	240,123	54,498	1,034,646	15,106	2,203,455
82,749	240,123	50,226	1,034,646	1,750	189,507
-	-	-	-	-	52,216
-	-	-	-	-	890
5,302	-	-	-	-	-
-	-	-	-	-	45,954
-	-	-	-	-	127,281
-	-	-	-	-	-
-	-	-	-	-	105
-	-	-	-	-	-
-	-	-	-	-	1,506,725
-	-	-	-	-	1,112
-	-	-	-	-	-
-	-	-	-	13,313	14,957
-	-	-	-	-	165,013
-	-	-	-	-	-
88,051	240,123	50,226	1,034,646	15,063	2,103,760
-	-	4,272	-	43	99,695
-	-	-	-	-	-
-	-	-	-	-	-
-	-	4,272	-	43	99,695
-	-	18,025	-	54	765,792
$ -	$ -	$ 22,297	$ -	$ 97	$ 865,487

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

FOR THE YEAR ENDED JUNE 30, 2026

	498 Midway Foundation Grant Funds	499 Locally Funded Grant Funds	699 Capital Project 2020	Total Nonmajor Governmental Funds
REVENUES				
Total local and intermediate sources	$ 182,189	$ 13,620	$ 173	$ 3,975,667
State program revenues	-	-	-	1,215,304
Federal program revenues	-	-	-	5,380,641
Total revenues	182,189	13,620	173	10,571,612
EXPENDITURES				
Current:				
Instruction	175,800	13,620	-	3,350,412
Instructional resources and media services	-	-	-	52,216
Curriculum and instructional staff development	6,389	-	-	7,822
Instructional leadership	-	-	-	705,840
School leadership	-	-	-	45,954
Guidance, counseling and evaluation services	-	-	-	195,119
Social work services	-	-	-	30,000
Health services	-	-	-	105
Food services	-	-	-	4,674,533
Extracurricular activities	-	-	-	1,506,725
General administration	-	-	-	1,112
Facilities maintenance and operations	-	-	2,424	43,936
Security and monitoring services	-	-	-	28,270
Community services	-	-	-	165,013
Capital outlay	-	-	8,430	8,430
Total expenditures	182,189	13,620	10,854	10,815,487
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(10,681)	(243,875)
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	348,143
Total other financing sources (uses)	-	-	-	348,143
NET CHANGE IN FUND BALANCES	-	-	(10,681)	104,268
FUND BALANCES, BEGINNING	-	148	10,681	1,340,032
FUND BALANCES, ENDING	$ -	$ 148	$ -	$ 1,444,300

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REQUIRED TEA SCHEDULES

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MIDWAY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED JUNE 30, 2026

Fiscal Year Ended June 30,	1 Tax Rates Maintenance	2 Tax Rates Debt Service	3 Net Assessed/ Appraised Value for School Tax Purpose	10 Beginning Balance 07/01/25
2017	Various	Various	Various	$ 150,998
2018	1.040000	0.280000	4,715,922,135	42,885
2019	1.040000	0.280000	4,986,584,635	35,193
2020	0.970000	0.280000	5,841,971,938	54,468
2021	0.966400	0.270000	4,807,014,603	60,341
2022	0.894300	0.270000	6,288,896,075	72,661
2023	0.854600	0.270000	7,496,726,036	109,404
2024	0.699200	0.240000	8,407,870,610	115,963
2025	0.696900	0.240000	8,278,958,160	896,615
2026	0.696900	0.240000	7,992,578,077	-
1000 Totals				$ 1,538,528

8000 - Taxes refunded

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20 Current Year's Total Levy	31 Maintenance Total Collections	32 Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 06/30/26	99 Total Taxes Refunded under Section 26.1115 (c)
$ -	$ 176	$ 47	$ (7,930)	$ 142,845	
-	2,460	662	(348)	39,415	
-	5,031	1,355	-	28,807	
-	5,397	1,558	-	47,513	
-	(23,153)	(6,708)	(37,748)	52,454	
-	8,703	2,628	(633)	60,697	
-	16,738	5,288	4,547	91,925	
-	(169,194)	(65,335)	(271,007)	79,485	
-	233,771	80,506	(462,777)	119,561	
74,882,464	55,342,993	19,059,145	-	480,326	
$ 74,882,464	$ 55,422,922	$ 19,079,146	$ (775,896)	$ 1,143,028	
					$ -

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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, 2026

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Over (Under) Original Budget	Actual Amounts	Final Budget to Actual Variance Positive (Negative)
	REVENUES					
5700	Local and intermediate sources	$ 1,774,723	$ 1,774,723	$ -	$ 1,576,230	$ (198,493)
5800	State program revenues	129,638	129,638	-	165,552	35,914
5900	Federal program revenues	2,379,012	2,379,012	-	2,637,059	258,047
5020	Total revenues	4,283,373	4,283,373	-	4,378,841	95,468
	EXPENDITURES					
	Current:					
0035	Food service	4,284,385	4,324,385	40,000	4,674,533	(350,148)
0051	Facilities maintenance and operations	58,500	58,500	-	41,512	16,988
6030	Total expenditures	4,342,885	4,382,885	40,000	4,716,045	(333,160)
1100	**EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES**	(59,512)	(99,512)	(40,000)	(337,204)	(237,692)
	OTHER FINANCING SOURCES (USES)					
7915	Transfer in	-	-	-	348,143	348,143
7080	Total other financing souces (uses)	-	-	-	348,143	348,143
1200	**NET CHANGE IN FUND BALANCES**	(59,512)	(99,512)	(40,000)	10,939	110,451
0100	**FUND BALANCES, BEGINNING**	545,332	545,332	-	545,332	-
3000	**FUND BALANCES, ENDING**	$ 485,820	$ 445,820	$ (40,000)	$ 556,271	$ 110,451

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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, 2026

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Over (Under) Original Budget	Actual Amounts	Final Budget to Actual Variance Positive (Negative)
	REVENUES					
5700	Local and intermediate sources	$21,095,392	$21,095,392	$ -	$19,981,849	$ (1,113,543)
5800	State program revenues	-	-	-	1,931,311	1,931,311
5020	Total revenues	21,095,392	21,095,392	-	21,913,160	817,768
	EXPENDITURES					
	Debt service:					
0071	Principal on long-term debt	11,330,000	11,330,000	-	11,330,000	-
0072	Interest on long-term debt	9,423,442	9,423,442	-	5,904,801	3,518,641
0073	Bond issuance costs and fees	5,000	5,000	-	2,000	3,000
6030	Total expenditures	20,758,442	20,758,442	-	17,236,801	3,521,641
1100	**EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES**	336,950	336,950	-	4,676,359	4,339,409
	OTHER FINANCING SOURCES (USES)					
7915	Transfer in	-	-	-	1,604	1,604
7080	Total other financing souces (uses)	-	-	-	1,604	1,604
1200	**NET CHANGE IN FUND BALANCES**	336,950	336,950	-	4,677,963	4,341,013
0100	**FUND BALANCES, BEGINNING**	24,646,681	24,646,681	-	24,646,681	-
3000	**FUND BALANCES, ENDING**	$24,983,631	$24,983,631	$ -	$29,324,644	$ 4,341,013

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MIDWAY INDEPENDENT SCHOOL DISTRICT **EXHIBIT J-4**

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2026

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.	$ 215,544
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25)	$ 233,934

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FEDERAL AWARDS SECTION

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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

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, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated _____, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting 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.*

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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.

Waco, Texas
_____, 2026

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PATTILLO, BROWN & HILL, L.L.P.
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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, 2026. 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, 2026.

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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

AICPA GAQC Member

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.

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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.

Waco, Texas
_____, 2026

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MIDWAY INDEPENDENT SCHOOL DISTRICT **EXHIBIT K-1**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2026

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			
Passed through Texas Education Agency:			
National School Breakfast Program	10.553	71402501	$ 134,532
National School Breakfast Program	10.553	71402601	521,981
Total 10.553			656,513
National School Lunch Program	10.555	71302501	359,554
National School Lunch Program	10.555	71302601	1,369,108
Total Passed through Texas Education Agency			2,385,175
Passed through Texas Department of Agriculture:			
Non-cash assistance - Food Distribution Program	10.555	NT4XL1YGLGC5	251,884
Total 10.555			1,980,546
Total Child Nutrition Cluster			2,637,059
Total U. S. Department of Agriculture			2,637,059
U. S. Department of Education			
Passed through Texas Education Agency:			
ESEA Title I, Part A	84.010A	25610101161903	117,961
ESEA Title I, Part A	84.010A	26610101161903	656,261
Total 84.010			774,222
IDEA-B - Special Education Grants to States	84.027A	266600011619036000	1,680,821
IDEA-B - Special Education Preschool Grants	84.173A	266610011619036000	7,871
Total Special Education (IDEA) Cluster			1,688,692
Carl D. Perkins Basic Grant	84.048A	25420006161903	13,982
Carl D. Perkins Basic Grant	84.048A	26420006161903	74,069
Total 84.048A			88,051
Title II, Part A - Teacher and Principal Training	84.367A	25694501161903	63,908
Teacher Leadership Cycle 2 Continuation Grant	84.367A	26694501161903	176,215
Total 84.367			240,123
Title IV - Part A - Summer LEP	84.369A	69552302	4,273
Title IV - Part A - Subpart 1	84.424A	25680101161903	6,154
Title IV - Part A - Subpart 1	84.424A	26680101161903	44,071
Total 84.424			50,225
Total Passed through Texas Education Agency			2,845,586
Total U. S. Department of Education			2,845,586
U. S. Department of Health and Human Services			
Passed through Texas Health and Human Services Commission:			
Medicaid Cluster - Medicaid Administrative Claiming Program - MAC	93.778	529-07-0157-00011	34,196
Total Passed through Texas Health and Human Services Commission			34,196
Total U. S. Department of Health and Human Services			34,196
Total Expenditures of Federal Awards			$ 5,516,841

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MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2026

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)	$ 6,009,589
School health and related services revenue	(492,748)
Federal expenditures per the Schedule of Expenditures of Federal Awards (Exhibit K-1)	$ 5,516,841

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MIDWAY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2026

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
Identification of major programs:	
Assistance Listing Number(s) 10.553 and 10.555	Name of Federal Program or Cluster: Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs	$1,000,000
Auditee qualified as low-risk auditee?	No

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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, 2026

None noted.

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