CITY OF MIDWAY, TEXAS

Audited Financial Statements
Independent Auditor's Report And
Supplemental Schedules
For the Year Ended
September 30, 2025

MEMBER AICPA and TSCPA
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CITY OF MIDWAY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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D L A The Accounting Firm of Donald L. Allman, CPA, PC

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CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Midway, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Midway, Texas as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Midway, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Midway, Texas, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 City of Midway, Texas 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 City of Midway, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Midway, Texas' 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 City of Midway, Texas' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-8 and 38 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Midway, Texas' basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2026 on our consideration of the City of Midway, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Midway, Texas' 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 City of Midway, Texas' internal control over financial reporting and compliance.

Donald L. Allman, CPA, PC

August 4, 2026
Liberty Hill, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of the City of Midway, Texas, discuss and analyze the City's financial performance for the year ended September 30, 2025. Please read it in conjunction with the independent auditors' report and the City's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The city's net position was $96,982 for the governmental activities and $744,881 for business-type activities at September 30, 2025.
- The General Fund had a decrease in net position of $(16,952).
- The Proprietary Fund had an increase in net position of $41,260.
- The General Fund on the governmental funds basis had an increase in net position of $(23,756).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide fina44,881ncial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a longer-term view of the city's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the city's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the budget. The fiduciary statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the district.

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

The required Supplementary Information section contains financial information and disclosures required by the Governmental Accounting Standards Board (GASB), but are not considered a part of the basic financial statements. The section labeled Other Supplementary Information contains data used by monitoring or regulatory agencies for assurance that the City is using funds supplied in compliance with the terms of grants.

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting, which is the basis used by private sector companies. This means all of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

All of the current year's revenues are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who pay for the costs of some programs (such as utility funds) and grants provided by the outside parties and agencies (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). All of the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

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

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities.

Governmental Activities-Most of the City's basic services are reported here, including the transportation, maintenance, community services, and general administration. Property taxes, fees, and state and federal grants finance most of these activities.

Business-type Activities – The City charges a fee to "customers" to help it cover all or most of the cost of services it provides in the Revenue Fund.

Component Units – The City includes two separate legal entities in its report – the Economic Development Corporation (4A) and the Infrastructure/Improvement Corporation (4B). Although legally separate, these "component units" are important because the City is financially accountable for them.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Laws and contracts require the City to establish some funds, such as grants received from a governmental agency. The city's administration may establish other funds to help it control and manage money for particular purposes. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

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

Proprietary Funds – The City reports the activities for which it charges users in proprietary funds using the same accounting method employed in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government wide statements but containing more detail and additional information, such as cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's assets exceeded liabilities by $841,863 at the close of the most recent fiscal year.

Governmental activities net position decreased by $(16,952) during the current fiscal year.

Business-type activities net position increased by $41,260 during the current fiscal year.

TABLE I
CITY OF MIDWAY, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET POSITION
September 30, 2025

	Governmental Activities		Business-type Activities		Total	
	09/30/2025		09/30/2025		09/30/2025	
Current assets	$ 60,639		$ 63,641		$ 124,280	
Capital assets	36,343		1,079,440		1,115,783	
Total assets	96,982		1,143,081		1,240,063	
Current liabilities	-		15,000		15,000	
Long-term liabilities	-		383,200		383,200	
Total liabilities	-		398,200		398,200	
Net Position:						
Net Investment in Capital Assets	36,343		681,440		717,783	
Restricted	-		21,435		21,435	
Unrestricted	60,639		42,006		102,645	
Total net position	96,982		744,881	-	841,863	

TABLE II
CITY OF MIDWAY, TEXAS
GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION
For the Year Ended September 30, 2025

	Governmental Activities	Business-Type Activities	Total
	Sep-25	Sep-25	Sep-25
Revenues:			
Program Revenues:			
Charges for Services	2,762	244,306	247,068
Operating Grants	2,058	-	2,058
Capital Grants	-	36,667	36,667
General Revenues			-
General Sales Taxes	49,822	-	49,822
Franchise Taxes	9,422	-	9,422
Penalty and Interest	-	-	-
Investment Earnings	-	-	-
Miscellaneous	2,014	-	2,014
Total Revenues	66,078	280,973	347,051
Expenses:			
General Government	81,637	233,158	314,795
Public Safety	888	-	888
Highways and Roads	-	-	-
Municipal Court	505	-	505
Interest long-term debt	-	6,555	6,555
Other Expenses	-	-	-
Total Expenses	83,030	239,713	322,743
Increase in Net Position			
Before Transfers in Special ite	(16,952)	41,260	24,308
Transfers In	-	-	-
Transfers Out	-	-	-
Special Items	-	-	-
Change in Net Position	(16,952)	41,260	24,308
Prior Period Adjustment	-	-	-
Net Position - Beginning	113,934	703,621	817,555
Net Position - End	$ 96,982	$ 744,881	841,863

BUDGETARY HIGHLIGHTS

General Fund Budgetary Highlights

Revenues were $(32,122) lower than budgeted. Expenses were $3,471 higher than budgeted mainly due to more general government administrative expenditures.

Revenue Fund Budgetary Highlights

Revenues for Water & Sewer services were $(22,940) less than budgeted. Operating expenses were $(65,917) less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2025, the City has invested $1,115,783 in a broad range of capital assets, including facilities and equipment for administration and maintenance.

Debt

As of September 30, 2025, the City had loan obligations outstanding of $398,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the upcoming fiscal year ending September 30, 2025, the City's budget is fairly consistent with this year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditor with a general overview of the city's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City's business office at: City of Midway, Texas, 12250 Highway 21 E., Midway, Texas 75852 or at (936) 348-6800.

City of Midway, Texas
Statement of Net Position
September 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and equivalents	$ 60,639	$ 37,673	$ 98,312
Restricted Cash	-		-
Receivables (net allowance for uncollectibles)	-	25,968	25,968
Total current assets	60,639	63,641	124,280
Capital assets			
Land	-	-	-
Buildings & Improvement, net	22,975	1,079,440	1,102,415
Machinery & equipment & vehicles, net	13,368	-	13,368
Total capital assets	36,343	1,079,440	1,115,783
Total assets	96,982	1,143,081	1,240,063
LIABILITIES			
Accounts payable and accrued expenses	-	-	-
Long-term liabilities			
Current portion loan payable	-	15,000	-
Long-term loan payable	-	383,000	383,000
Customer Deposits payable		200	200
Total liabilities	-	398,200	398,200
NET POSITION			
Net Investment in Capital Assets	36,343	681,440	717,783
Restricted	-	21,435	21,435
Unrestricted	60,639	42,006	102,645
Total net position	$ 96,982	$ 744,881	$ 841,863

City of Midway, Texas
Statement of Activities
September 30, 2025

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue & Change in Net Position — Primary Government: Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
General government	$ 81,637	$ 2,762	250	-	(78,625)	-	(78,625)
Public Safety	888	-	-	-	(888)	-	(888)
Highways and Roads	-	-	-	-	-	-	-
Municipal Court	505	-	-	-	(505)	-	(505)
Interest on long-term debt	-	-	-	-	-	(6,555)	(6,555)
Total governmental activities	83,030	2,762	250	-	(80,018)	(6,555)	(86,573)
Business-type activities							
Revenue fund	233,158	244,306	-	36,667	-	47,815	47,815
Total business-type activities	233,158	244,306	-	36,667	-	47,815	47,815
Total primary government	316,188	247,068	250	36,667	(80,018)	41,260	(38,758)
General revenue							
Sales taxes					49,822		49,822
Franchise Tax					9,422	-	9,422
Grants and contributions not restricted to specific programs					2,058	-	2,058
Unrestricted investment earnings					-	-	-
Miscellaneous					2,014	-	2,014
Transfers					-	-	-
Total general revenues, special items, and transfers					63,316	-	63,316
Change in net position					(16,952)	41,260	24,308
					-	-	-
Net position - beginning					113,934	703,621	817,555
Net position - ending					$ 96,982	$ 744,881	$ 841,863

City of Midway, Texas
Balance Sheet
Government Funds
September 30, 2025

	General Fund	Other Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 60,639	$ -	$ 60,639
Restricted Cash	-		-
Property Taxes receivable, net	-	-	-
Other receivables	-	-	-
Total assets	$ 60,639	$ -	$ 60,639
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ -	$ -	$ -
Unearned revenue	-	-	-
Total liabilities	-	-	-
Fund balances:			
Nonspendable	-		-
Restricted	-		-
Committed	-		-
Assigned	-	-	-
Unassigned	60,639	-	60,639
Total fund balances	60,639	-	60,639
Total liabilities and fund balances	$ 60,639	$ -	$ 60,639

City of Midway, Texas
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2025

Total fund balance, governmental funds	$	60,639
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		36,343
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transfers, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		-
Net position of governmental activities in the statement of net position	$	96,982

City of Midway, Texas
Statement of Revenues and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2025

	General Fund	Other Funds	Total Governmental Funds
REVENUES			
Sales taxes	49,822	-	49,822
Franchise Fees	9,422	-	9,422
Fees and fines	-	-	-
Licenses and permits	2,762	-	2,762
Investment earnings	-	-	-
Charges for services	-	-	-
Grants	2,058	-	2,058
Miscellaneous	2,014	-	2,014
Total revenues	66,078	-	66,078
EXPENDITURES			
Current:			
General government	73,588	-	73,588
Public Safety	888	-	888
Highways and roads	-	-	-
Municipal Court	505	-	505
Capital outlay	14,853	-	14,853
Total expenditures	89,834	-	89,834
Excess (deficiency) of revenues over expenditures	(23,756)	-	(23,756)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	-	-	-
Net change in fund balances	(23,756)	-	(23,756)
Prior period adjustment	-	-	-
Fund balances - beginning	84,395	-	84,395
Fund balances - ending	$ 60,639	$ -	$ 60,639

City of Midway, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2025

Net change in fund balances - total governmental funds:	$ (23,756)
Amounts reported for governmental activities in the statement of activities are different because:	
	-
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increase in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2025 capital outlays and debt principal payments is to increase (decrease) net position.	14,853
Difference in property tax revenue for governmental funds	
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(8,049)
	-
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transfers, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	-
Loan Payments not included in government wide financial statements	-
Change in net position of governmental activities	$ (16,952)

City of Midway, Texas
Statement of Net Position
Proprietary Funds
September 30, 2025

		Business Type Activities
		Revenue Fund
ASSETS		
Current assets:		
Cash and cash equivalents	$	37,673
Accounts receivable, net		25,968
Inventory		
Total current assets		63,641
Non-current assets:		
Capital assets:		
Buildings and Improvements		1,079,440
Machinery and equipment, net of depreciation		-
Total non-current assets		1,079,440
Total assets		1,143,081
LIABILITIES		
Current liabilities:		
Accounts payable		-
Current portion - loans payable		15,000
Total current liabilities		15,000
Long-term liabilities:		
Customer Deposits		200
Loans Payable		383,000
Total Long-term liabilities		383,200
Total liabilities		398,200
NET POSITION		
Net Investment in Capital Assets		681,440
Restricted		21,435
Unrestricted		42,006
Total net position	$	744,881

City of Midway, Texas
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2025

	Business-Type Activities
	Revenue Fund
REVENUES	
Water Revenues	194,584
Sewer Revenues	31,900
Sanitation Revenues	17,822
Miscellaneous	-
Total operating revenues	244,306
OPERATING EXPENSES	
Personnel services	55,542
Contractual services	41,638
Bulk Water, Labs & Chemicals	9,660
Utilities	11,057
Repairs and maintenance	52,243
Administrative & other expenses	14,417
Depreciation	48,601
Total operating expenses	233,158
Operating income (loss)	11,148
NON-OPERATING REVENUES (EXPENSES)	
Interest income	-
Interest expense	(6,555)
Capital grants and contributions	36,667
Transfers out	
Total non-operating revenue (expenses)	30,112
Income (loss) before contributions and transfers	41,260
Transfers in	-
Change in net position	41,260
Total net position - beginning	703,621
Total net position - ending	$ 744,881

City of Midway, Texas
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2025

		Business-Type Activities
		Revenue Fund
Cash flows from operating activities		
Cash receipts from customers	$	244,306
Cash receipts from grant revenues		36,667
Payments to employees		(55,542)
Payments to suppliers		(135,570)
Net cash provided by operating activities		89,861
Cash flows from noncapital financing activities		
Change in OPEB And Pension liability		-
Net transfer from other funds		-
Net cash provided (used) by noncapital financing activities		-
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets		(36,417)
Debt principal payments		(15,000)
Net cash provided by capital and related financing activities		(51,417)
Net increase (decrease) in cash and cash equivalents		38,444
Cash and cash equivalents, beginning of year		(771)
Cash and cash equivalents, end of year	$	37,673
Reconciliation of operating income to net cash Provided by operating activities		
Operating income		41,260
Adjustments to reconcile operating income to Net cash provided by operating activities:		
Depreciation		48,601
Change in assets and liabilities:		
(Increase) decrease in accounts receivable		-
(Increase) decrease in Inventory		-
Increase (decrease) in accounts payable		-
Net cash provided by operating activities	$	89,861

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Midway, Texas (the "City") is a municipal corporation under the applicable laws and regulations of the State of Texas. The City was incorporated in 1987 and operates under an elected Mayor/Council Type B form of government. The City's major operations include water & sewer, sanitation, and general administrative services.

The financial statements of the City of Midway, Texas are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. REPORTING ENTITY

Generally accepted accounting principles require that these financial statements present the city of Midway, Texas (the primary government) and its component units. The component unit discussed below is included in the City's reporting entity because of its financial relationship with the City and the City's ability to appoint its directors.

The component unit is presented using the discrete method. Its financial data is presented in a separate column as a government type fund because it is legally separate from the City.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Midway, Texas and its component units nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes. State foundation funds, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "grants and contributions" columns include amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/due froms on the Governmental/Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for 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 City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Council pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Positon. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The City reports the following major governmental funds:

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

The City reports the following major enterprise fund:

Revenue Fund – accounts for the operating activities of the City's water and sewer services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. FUND ACCOUNTING (cont.)

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

Governmental Funds:

Cemetary Funds – The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a cemetery fund. Cemetary services include taking donations and deposits for cemetery plots for revenues and cemetery maintenance expenses.

Proprietary Funds:

Enterprise Funds – The City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The City has not non-major enterprise funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. FUND ACCOUNTING (cont.)

Investment Trust Fund – This fund is one in which the City holds assets in trust for other entities participating in an investment program managed by the City. The City has no investment trust fund.

Agency Funds – The City accounts for resources held for others in a custodial capacity in agency funds. The City has no agency funds.

E. NATURE AND PURPOSE OF CLASSIFICATION OF FUND EQUITY

The fund balance classifications for governmental Funds are:

Nonspendable- Includes fund balance amounts that cannot be spent because they are either not in spendable form or, for legal or contractual reasons, must be kept intact.

Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts restricted due to constitutional provisions now enabling legislation.

Committed – Includes fund balance amounts that are self-imposed by the City to be used for a specific purpose.

Unassigned – Includes the residual positive fund balance within the general fund which has not been classified within the above mentioned categories.

F. GOVERNMENT-WIDE AND PROPRIETARY FUND NET POSITION

Net investment in capital assets – Consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – consist of assets that are restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (including those who have donated to the City's parks endowment less related liabilities and deferred inflows or resources).

Unrestricted – all other net position is reported in this category.

G. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the City considers highly liquid investments to be cash equivalents if they have a maturity of three years or less when purchased.

2. The City reports purchase of supplies as expenditures. If any supplies are on hand at the end of the year, their total cost is recorded as inventory, and the expenditure is reduced. There was no inventory at year end.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. OTHER ACCOUNTING POLICIES (cont.)

3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

   In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. Capital assets which include land buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

   Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives.

Assets	Years
Buildings	5-40
Building Improvements	5-20
Infrastructure	40
Machinery and Equipment	3-7
Furniture and Fixtures	3-7
Computer Equipment	3-5

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Page 11 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.

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

Page 13 provides a reconciliation of the governmental funds balance sheet to the statement of net position. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balances and the change in net position.

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Council adopts an "appropriated budget" for the General Fund and Revenue Fund. The City is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The City compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears on Page 32 and the other report is on Page 33.

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

1. Prior to July 1, the City prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

3. Prior to July, the budget is legally enacted through passage of a resolution by the Council. 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 Council. Amendments are presented to the Council at its regular meetings. Each amendment must have Council approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Council, and are not made after fiscal year end. The City had no budget amendments during the year. All budget appropriations lapse at year end.

NOTE IV – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City 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. As of September 30, 2025, the City had a signed depository contract with First National Bank of Evant, Gatesville and Midway, the City's depository bank.

At September 30, 2025, the carrying amount of the City's deposits (cash, certificates of deposits and interest-bearing savings accounts included in temporary investments) was $98,312 and the bank balance was $98,312. The City's cash deposits at September 30, 2025 and during the year ended September 30, 2025 were entirely covered by the FDIC Insurance or by pledged collateral held by the City's agent bank in the City's name.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices management reports and establishment of appropriate policies. Amount other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings account, (5) repurchase agreements, (6) banker acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the act. The City is in substantial compliance with requirements of the Act and with local policies.

Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Cash or investments that are insured, registered or held by the City or by its agent in the City's name.

Category 2 - Cash or Investments that are uninsured and unregistered held by the counter-party's trust department or agent in the City's name.

Category 3 – Uninsured and unregistered investments held by the counterparty, its trust department, or its agent, but not in the City's name.

Based on these three levels of risk, all of the City's investments are classified as Category 1.

NOTE IV – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

The City's investments at September 30, 2025 are shown below:

None

B. CAPITAL ASSET ACTIVITY

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

	Capital Assets, Not Depreciated		Capital Assets Depreciated		
	Land	Construction In Progress	Buildings & Improvement	Vehicles & Equipment	Total
Primary Government					
Governmental Activities:					
Balance October 1, 2024	$ -	$ -	$ 256,000	$ -	$ 256,000
Increases	-	-	-	14,853	14,853
Decreases	-	-	-	-	
Balance September 30, 2025	$ -	$ -	$ 256,000	$ 14,853	$ 270,853
Accumulated Depreciation					
Balance October 1, 2024	-	-	(226,461)	-	(226,461)
Increases	-	-	(6,564)	(1,485)	(8,049)
Decreases	-	-	-	-	-
Balance September 30, 2025	-	-	(233,025)	(1,485)	(234,510)
Governmental Activities Capital Assets, Net	$ -	$ -	$ 22,975	$ 13,368	$ 36,343

	Capital Assets, Not Depreciated		Capital Assets, Depreciated		
	Land	Construction In Progress	Buildings & Improvement	Machinery & Equipment	Total
Business-type Activities:					
Balance October 1, 2024	-	729,129	692,493	-	1,421,622
Increases	-	-	765,546	-	765,546
Decreases	-	(729,129)	-	-	(729,129)
Balance September 30, 2025	-	-	1,458,039	-	1,458,039
Accumulated Depreciation					
Balance October 1, 2024	-	-	(329,998)	-	(329,998)
Increases	-	-	(48,601)	-	(48,601)
Decreases	-	-	-	-	-
Balance September 30, 2025	-	-	(378,599)	-	(378,599)
Business-type Activities Capital Assets Net	-	-	1,079,440	-	1,079,440

NOTE IV – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (cont.)

B. CAPITAL ASSET ACTIVITY (cont.)

Depreciation expense was charged to governmental functions as follows:

General	8,049
Cemetary	-
Community center	-
Park	-
Water & Sewer	48,601
Total Depreciation Expense	56,650

C. Loans Payable

The City of Midway entered into 2 loan agreements for water & sewer improvements with interest rates of 5%, 5.875% and 1.5%,installments of $4,000 and $13,000 to $14,000, maturing in 2027 and 2061.

	Balances 10/1/2024	Additions	Reductions	Balance 9/30/2025	Amounts Due Within One Year
Business-Type Activities:					
Revenue Bonds	413,000		(15,000)	398,000	15,000
Total Proprietary	$ 413,000	$ -	$ (15,000)	$ 398,000	$ 15,000

Year ended Sept. 30,	Business-Type Activities Principal	Interest
2026	15,000	6,435
2027	17,000	6,106
2028	13,000	5,850
2029	13,000	5,655
2030	13,000	5,460
Thereafter	327,000	84,833
Totals	$ 398,000	$ 114,339

REQUIRED SUPPLEMENTARY INFORMATION

City of Midway, Texas
Budget and Actual (with Variances)
General Fund
For the Year ended September 30, 2025

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Sales and miscellaneous taxes	33,600	33,600	49,822	16,222
Franchise fees	8,500	8,500	9,422	922
Fees and fines	-	-	-	-
Licenses and fees	6,100	6,100	2,762	(3,338)
Charges for services	50,000	50,000	-	(50,000)
Investment earnings	-	-	-	-
Grants	-	-	2,058	2,058
Miscellaneous	-	-	2,014	2,014
Total revenues	98,200	98,200	66,078	(32,122)
EXPENDITURES				
Current				
General government	86,363	86,363	73,588	(12,775)
Public Safety	-	-	888	888
Highways and Roads	-	-	-	-
Municipal Court	-	-	505	505
Capital outlay	-	-	14,853	14,853
Total expenditures	86,363	86,363	89,834	3,471
Excess (deficiency) of revenues over expenditures	11,837	11,837	(23,756)	(35,593)
OTHER FINANCING SOURCES (USES)				
Loan proceeds			-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	11,837	11,837	(23,756)	(35,593)
Prior period adjustment	-	-	-	-
Fund balances - beginning	84,395	84,395	84,395	-
Fund balances - ending	$ 96,232	$ 96,232	$ 60,639	$ (35,593)

City of Midway, Texas
Budget and Actual (with Variances)
Revenue Fund
For the Year ended September 30, 2025

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	$ 267,246	$ 267,246	$ 244,306	$ (22,940)
Miscellaneous	-	-	-	-
Total operating revenues	267,246	267,246	244,306	$ (22,940)
OPERATING EXPENSES				
Personnel services	87,874	87,874	55,542	32,332
Contractual services	12,000	12,000	41,638	(29,638)
Utilities	28,650	28,650	11,057	17,593
Repairs and maintenance	50,520	50,520	52,243	(1,723)
Bulk Water, Labs & Chemicals	26,500	26,500	9,660	16,840
Other supplies and expenses	44,930	44,930	14,417	30,513
	-	-	-	-
Total operating expenses	250,474	250,474	184,557	65,917
Operating income (loss)	16,772	16,772	59,749	42,977
NON-OPERATING REVENUES (EXPENSES)				
Capital expenditures	5,000	5,000	-	5,000
Depreciation expense			(48,601)	(48,601)
Interest income	-	-	-	-
Interest expense	-	-	(6,555)	6,555
Operating grants and contributions	-	-	36,667	36,667
Total non-operating revenue (expenses)	5,000	5,000	(18,489)	(23,489)
Income (loss) before contributions and transfers	21,772	21,772	41,260	19,488
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Change in net assets	21,772	21,772	41,260	19,488
Total net position - beginning	703,621	703,621	703,621	-
Total net position - end	$ 725,393	$ 725,393	$ 744,881	$ 19,488

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CERTIFIED PUBLIC ACCOUNTANT

Independent Auditors' 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

City Council
City of Midway

Members of the City Council
City of Midway, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Midway, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Midway, Texas' basic financial statements, and have issued our report thereon dated August 4, 2026.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Midway, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Midway, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Midway, Texas' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Donald L. Allman, CPA, PC

Liberty Hill, Texas
August 4, 2026