

# Forvis Mazars Report to the Board of Directors and Management

Midland Development Corporation

Results of the 2025 Financial Statement Audit, Including Required Communications

September 30, 2025

## Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

### Overview & Responsibilities

Matter	Discussion
<b>Scope of Our Audit</b>	<p>This report covers audit results related to your financial statements</p> <ul style="list-style-type: none"><li>• As of and for the year ended September 30, 2025.</li><li>• Conducted in accordance with our contract dated August 4, 2025.</li></ul>
<b>Our Responsibilities</b>	<p>Forvis Mazars is responsible for forming and expressing opinions about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).</p>
<b>Audit Scope &amp; Inherent Limitations to Reasonable Assurance</b>	<p>An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the opinion unit being audited and did not include a detailed audit of all transactions.</p>
<b>Extent of Our Communication</b>	<p>In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.</p>
<b>Independence</b>	<p>The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.</p>
<b>Your Responsibilities</b>	<p>Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.</p>

Matter	Discussion
<b>Distribution Restriction</b>	<p>This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:</p> <ul style="list-style-type: none"> <li>• The Board of Directors and Management</li> <li>• Others within the MDC</li> </ul>

## Qualitative Aspects of Significant Accounting Policies & Practices

### Significant Accounting Policies

Significant accounting policies are described in Note 1 of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topics detailed in the following pages:

- Note 1 – Adoption of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*

### Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable

### Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable

### Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Key estimates related to leases – lease discount rate, lease term, and lease payments

## Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Leases
- Economic development commitments
- Related-party transactions

## Our Judgment About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the Entity's application of accounting principles:

- No matters are reportable

## Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

## Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- Year-end entries related to GASB 87 – outsourced to Forvis Mazars
- Entries to convert modified accrual statements to full accrual statements – outsourced to Forvis Mazars
- Various reclassification entries for reporting purposes – outsourced to Forvis Mazars

## Uncorrected Misstatements

- No uncorrected misstatements to report

## Other Required Communications

### Significant Issues Discussed With Management

#### *During the Audit Process*

During the audit process, the following issue was discussed or was the subject of correspondence with management:

- Adoption of GASB 101

### Other Material Communication

Listed below is another material communication between management and us related to the audit:

- Management representation letter (see Attachments)

## Other Matters

We also observed other matters and offer these comments and suggestions with respect to matters that came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist.

However, these other matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures.

We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

- **GASB Statement No. 103, *Financial Reporting Model Improvements***

This statement improves the financial reporting model by standardizing the presentation for various matters within governmental financial statements. The purpose is to eliminate diversity in practice and improve comparability. Impacted areas include management's discussion and analysis, unusual or infrequent items, the definitions and presentation of operating and nonoperating revenues and expenses in enterprise funds, presentation of major component units, presentation of budgetary comparison information, and financial trends information within the statistical section of separately issued financial reports.

The requirements of GASB 103 are effective for the MDC's fiscal year 2026.

- **GASB Statement No. 104, *Disclosure of Certain Capital Assets***

This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures. GASB 104 requires lease assets recognized in accordance with GASB Statement No. 87, *Leases*, intangible right-to-use assets recognized in accordance with GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, subscription assets recognized in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and intangible assets other than those three types to be disclosed separately by major class. In addition, GASB 104 requires additional disclosures for capital assets held for sale.

The requirements of GASB 104 are effective for the MDC's fiscal year 2026.

- **GASB Statement No. 105, *Subsequent Events***

This statement improves the financial reporting requirements for subsequent events, thereby enhancing consistency in the application and better meeting the information needs of financial statement users. The statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

The requirements of GASB 105 are effective for the MDC's fiscal year 2027.

- As accounting and reporting environments continue to evolve, the MDC may wish to periodically evaluate opportunities to further automate routine accounting processes and, where appropriate, incorporate emerging technologies, such as data analytics and artificial intelligence, to enhance accuracy, consistency, and timeliness of financial information. Our firm has experience supporting governmental entities in these areas and would be available to share observations or leading practices, should the MDC find it beneficial.

# Market Trends

## AI Strategy & Integration

### Leverage AI to Drive Meaningful Business Impact

AI is no longer a future consideration. AI is the strategic power tool in your digital toolbox, helping your organization increase efficiency, enhance processes, and empower your workforce. The challenge for many organizations is not the potential of AI, but where to begin and how to embed it to align people, processes, technology, and data.

A structured, scalable approach that clearly aligns to your business goals and vision for the future is key to unlocking your full potential with AI.

### Recommendations For Launching Your AI Journey

#### Define Your AI Strategy & Roadmap

Define a clear, actionable AI strategy and roadmap that's tailored to your business goals. See where AI can drive the most value within your organization by identifying high impact use cases.

#### Strengthen Your Data for AI

Improve your data quality and infrastructure to help ensure AI models are built on a single source of truth with accurate, compliant, and reliable information.

#### Deploy the Right Technology to Drive Outcomes

Enable your business by simplifying and optimizing processes, seek opportunities to leverage existing technologies better, and then implement new AI and automation solutions to drive real impact.

#### Govern AI Risk, Compliance, & Security

Establish a robust governance framework to safeguard against risk, confirm compliance, implement strong cybersecurity and data protection measures, and embed responsible AI practices.

### Accelerators to Kickstart Your AI Journey

Ready to begin your AI journey but need a place to start? Forvis Mazars can help!

#### AI Opportunity Jumpstart

Conduct interviews across your team to identify potential AI use cases and determine next steps.

#### Automation Catalyst for Manual Processes

Gain a quick win by automating a single process and prove the value for future AI and automation opportunities.

#### AI Transformation Roadmap

Identify AI use cases and develop your AI strategy and prioritized roadmap to obtain clear, actionable steps to implement AI at scale.

#### Data Modernization

Build a single, trusted source of data that strengthens data quality and allows you to effectively leverage AI.

#### AI PowerUp: Skills & Enablement

Educate your team to unlock the art of the possible with AI.



## Attachments

### Management Representation Letter (Attachment A)

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.



**Attachment A**

**Management Representation Letter**

*Representation of:*

Midland Development Corporation  
201 N. Loraine St., Suite 641  
Midland, Texas 79701

*Provided to:*

**Forvis Mazars, LLP**  
Certified Public Accountants  
14221 North Dallas Parkway, Suite 400  
Dallas, TX 75254

The undersigned ("We") are providing this letter in connection with Forvis Mazars' audit of our financial statements as of and for the year ended September 30, 2025.

Our representations are current and effective as of the date of Forvis Mazars' report: March 16, 2026.

Our engagement with Forvis Mazars is based on our contract for services dated: August 4, 2025.

### **Our Responsibility & Consideration of Material Matters**

We confirm that we are responsible for the fair presentation of the financial statements subject to Forvis Mazars' report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

### **Confirmation of Matters Specific to the Subject Matter of Forvis Mazars' Report**

We confirm, to the best of our knowledge and belief, the following:

#### ***Broad Matters***

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of:
  - a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
  - b. Internal control to prevent and detect fraud.
3. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data,

documentation, and other matters.

- b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. All minutes of governing body meetings, if any, held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the board, if applicable, and maintained as part of our records.
  - e. All significant contracts.
4. We have disclosed to you all instances in which artificial intelligence (AI) systems or tools were used related to financial reporting, internal controls, and other processes relevant to the financial statements. We acknowledge our responsibility for the design, implementation, and maintenance of internal controls related to the use of AI.
  5. We have responded fully and truthfully to all your inquiries.

***Misappropriation, Misstatements, & Fraud***

6. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
  - a. Misappropriation of assets.
  - b. Misrepresented or misstated assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position or fund balance.
7. We have no knowledge of fraud or suspected fraud affecting the entity involving:
  - a. Management or employees who have significant roles in internal control over financial reporting, or
  - b. Others when the fraud could have a material effect on the financial statements.
8. We understand that the term "fraud" includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets. Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity's assets where the effect of the theft causes the financial statements not to be presented in conformity with accounting principles generally accepted in the United States of America.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, customers, analysts, regulators, citizens, suppliers, or others.
10. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

### ***Ongoing Operations***

11. We have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year of the date of the financial statements and known facts thereafter without consideration of potential mitigating effects of management's plans and concluded substantial doubt does not exist.

### ***Related Parties***

12. We have disclosed to you the identity of all of the entity's related parties and all the related-party relationships of which we are aware.

In addition, we have disclosed to you all related-party transactions and amounts receivable from or payable to related parties of which we are aware, including any modifications during the year that were made to related-party transaction agreements which existed prior to the beginning of the year under audit, as well as new related-party transaction agreements that were executed during the year under audit.

Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

13. We understand that the term related party refers to:

- Affiliates
- Board of Directors and members of their immediate families
- Management and members of their immediate families
- Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

### ***Litigation, Laws, Rulings & Regulations***

14. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.
15. We have no knowledge of communications, other than those specifically disclosed, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
16. We have disclosed to you all known instances of violations or noncompliance or possible

violations or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements or as a basis for recording a loss contingency.

17. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act*, nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
18. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations:

***Nonattest Services***

19. You have provided nonattest services, including the following, during the period of this engagement:
  - Preparing a draft of the financial statements and related notes
  - Preparing entries to convert from modified accrual to full-accrual basis statements
  - Entries related to current year activity under GASB 87, Leases
20. With respect to these services:
  - a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
  - b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
  - c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
  - d. We have evaluated the adequacy of the services performed and any findings that resulted.
  - e. We have established and maintained internal controls, including monitoring ongoing activities.
  - f. When we receive final deliverables from you, we will store those deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

***Financial Statements & Reports***

21. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
22. We do not issue an annual report, nor do we have plans to issue an annual report at this time.

***Transactions, Records, & Adjustments***

23. All transactions have been recorded in the accounting records and are reflected in the financial statements.
24. We have everything we need to keep our books and records.
25. We have disclosed any significant unusual transactions the entity has entered into during the

period, including the nature, terms, and business purpose of those transactions.

26. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.

**Governmental Accounting & Disclosure Matters**

27. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
28. With regard to deposit and investment activities:
- a. All deposit and investment transactions have been made in accordance with legal and contractual requirements.
  - b. Investments are properly valued.
  - c. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
  - d. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
  - e. Risk disclosures associated with deposit and investment securities and derivative instrument transactions are presented in accordance with GASB requirements.
29. We have identified and evaluated all potential fiduciary activities. The financial statements include all fiduciary activities required by GASB Statement No. 84, *Fiduciary Activities*, as amended.
30. Components of net position (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
31. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
32. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance is available and have determined that net position is properly recognized under the policy.
33. Leases have been properly identified, recorded, and disclosed in accordance with GASB Statement No. 87, *Leases*.
34. The government has properly measured, recorded, and disclosed compensated absences and other salary-related payments in accordance with GASB Statement No. 101, *Compensated Absences*.
35. The government has appropriately considered and disclosed its vulnerabilities due to certain concentrations or constraints in accordance with GASB Statement No. 102, *Certain Risk Disclosures*.
36. We have identified and evaluated all potential tax abatements, and we believe there are no material tax abatements.
37. The supplementary information required by the Governmental Accounting Standards Board,

consisting of management's discussion and analysis and budgetary comparison, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions, and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

**General Government Matters**

38. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.
39. All funds that meet the quantitative criteria in in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, and No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus—an Amendment of GASB Statements No. 21 and No. 34*, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
40. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
41. Revenues are appropriately classified in the statement of activities within program revenues or general revenues.
42. We have appropriately disclosed that the entity is following either its established accounting policy regarding which governmental fund resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or is following paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes and have determined that fund balance is properly recognized under the policy.

**Accounting & Disclosure**

43. All transactions entered into by the entity are final. We are not aware of any unrecorded transactions, side agreements or other arrangements (either written or oral) that are in place.
44. Except as reflected in the financial statements, there are no:
  - a. Plans or intentions that may materially affect carrying values or classifications of assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position or fund balance.
  - b. Material transactions omitted or improperly recorded in the financial records.
  - c. Material unasserted claims or assessments that are probable of assertion or other gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
  - d. Events occurring subsequent to the balance sheet date through the date of this letter, which is the date the financial statements were available to be issued, requiring adjustment or disclosure in the financial statements.

- e. Agreements to purchase assets previously sold.
  - f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.
  - g. Guarantees, whether written or oral, under which the entity is contingently liable.
  - h. Known or anticipated asset retirement obligations.
45. Except as disclosed in the financial statements, the entity has:
- a. Satisfactory title to all recorded assets, and those assets are not subject to any liens, pledges, or other encumbrances.
  - b. Complied with all aspects of contractual agreements, for which noncompliance would materially affect the financial statements.

***Revenue, Accounts Receivable, & Inventory***

46. Adequate provisions, allowances, or other adjustments in basis have been recorded for any material losses from:
- a. Uncollectible receivables.
  - b. Purchase commitments in excess of normal requirements or at prices in excess of prevailing market prices.

***Estimates***

47. We have identified all accounting estimates that could be material to the financial statements and we confirm the appropriateness of the methods and the consistency in their application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in making the accounting estimates, including those measured at fair value reported in the financial statements.
48. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that “near term” means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations, which refer to a lack of diversity related to employers, industries, inflows of resources, workforce covered by collective bargaining agreements, providers of financial resources, or suppliers of material, labor or services investments, or deposits, or constraints, which refer to a limitation imposed by an external party or by formal action of a government’s highest level of decision-making authority related to limitations on raising revenue, limitations on spending, limitations on the incurrence of debt, or mandated spending, existing at the date of the financial statements that would make the entity vulnerable to the risk of severe impact in the near term that have not been properly disclosed in the financial statements.

***Fair Value***

49. With respect to the fair value measurements of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto:
- a. The underlying assumptions are reasonable and they appropriately reflect management’s intent and ability to carry out its stated course of action.
  - b. The measurement methods and significant assumptions used in determining fair value are appropriate in the circumstances for financial statement measurement and disclosure

purposes and have been consistently applied.

- c. The significant assumptions appropriately reflect market participant assumptions.
- d. The disclosures related to fair values are complete, adequate, and in conformity with accounting principles generally accepted in the United States of America.
- e. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

***GASB Statement 101, Compensated Absences***

50. In connection with the adoption of GASB Statement No. 101, *Compensated Absences* (GASB 101), we represent that footnotes to the financial statements appropriately describe the adoption of GASB 101 and include all disclosures required under GASB 101.

*Sara K Harris*

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Sara Harris, Executive Director, Midland Development Corporation

[sharris@midlandtxedc.com](mailto:sharris@midlandtxedc.com)

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*Christy Weakland*

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Christy Weakland, CPA, Chief Financial Officer, City of Midland, Texas

[cweakland@midlandtexas.gov](mailto:cweakland@midlandtexas.gov)

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# **Midland Development Corporation**

**A Component Unit of the City of Midland, Texas**

## **Independent Auditor's Report and Financial Statements**

September 30, 2025



**Midland Development Corporation**  
**A Component Unit of the City of Midland, Texas**  
**September 30, 2025**

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## Independent Auditor's Report

Board of Directors  
Midland Development Corporation  
Midland, Texas

### ***Opinions***

We have audited the financial statements of the governmental activities and the major fund of the Midland Development Corporation (MDC), a component unit of the City of Midland, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the MDC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the MDC, as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 MDC 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 MDC's ability to continue as a going concern for 12 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 GAAS 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, 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 MDC'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 MDC's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison 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.

***Forvis Mazars, LLP***

**Dallas, Texas  
March 16, 2026**

**Midland Development Corporation  
A Component Unit of the City of Midland, Texas  
Management's Discussion and Analysis (Unaudited)  
Year Ended September 30, 2025**

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As management of the Midland Development Corporation (MDC), we offer readers of the MDC financial statements this narrative overview and analysis of the financial activities of the MDC for the fiscal year ended September 30, 2025.

***Financial Highlights***

The net position of the MDC was \$76.4 million at September 30, 2025, an increase of \$6.8 million from the prior year net position as of September 30, 2024 of \$69.5 million.

At September 30, 2025, amounts restricted for economic development activities in the general fund increased from \$42.9 million at September 30, 2024 to \$48.3 million at September 30, 2025.

***Overview of the Financial Statements***

This discussion and analysis are intended to serve as an introduction to the MDC's basic financial statements. The MDC's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

This report also contains required supplementary information in addition to the basic financial statements themselves.

***Government-Wide Financial Statements***

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements display functions of the MDC that are principally supported by sales taxes. The governmental activities of the MDC include general government and economic development only.

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The MDC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only fund of the MDC is a governmental fund.

***Governmental Fund***

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

**Midland Development Corporation**  
**A Component Unit of the City of Midland, Texas**  
**Management’s Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

Because the focus of a governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

The financial statements presented for the MDC are the same at the government-wide and fund levels, with the exception of compensated absences, lease obligations, and capital assets, because the nature of the assets, liabilities, revenues, and expenses that were reported at the government-wide level were such that they also met the criteria for reporting at the fund level.

**Notes to the Basic Financial Statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the MDC’s annual budget. The MDC adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. At September 30, 2025, assets exceeded liabilities by \$76.4 million, an increase of \$6.8 million from the September 30, 2024 amount of \$69.5 million. In fiscal year 2025, MDC’s total assets increased by approximately \$8.5 million, reflecting higher sales tax revenues and continued investment in capital assets.

**MDC’s Net Position**

	<b>Governmental Activities</b>	
	<b>2025</b>	<b>2024</b>
Current and other assets	\$ 50,619,289	\$ 43,418,643
Capital and lease assets, net	29,450,612	28,181,792
Total assets	<u>80,069,901</u>	<u>71,600,435</u>
Accounts and retainage payable	527,065	525,614
Noncurrent liabilities	<u>1,350,704</u>	<u>1,526,935</u>
Total liabilities	<u>1,877,769</u>	<u>2,052,549</u>
Deferred inflows of resources	<u>1,802,811</u>	<u>-</u>
Net investment in capital assets	28,126,866	26,369,357
Restricted for economic development	<u>48,262,455</u>	<u>43,178,529</u>
Total net position	<u>\$ 76,389,321</u>	<u>\$ 69,547,886</u>

**Midland Development Corporation**  
**A Component Unit of the City of Midland, Texas**  
**Management’s Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

***MDC’s Changes in Net Position***

	<b>Governmental Activities</b>	
	<b>2025</b>	<b>2024</b>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1,136,327	\$ 976,743
Operating grants and contributions	-	65,000
General revenues		
Sales taxes	17,280,642	16,650,471
Investment earnings	770,159	1,305,040
Miscellaneous	11,356	6,010
<b>Total Revenues</b>	<b>19,198,484</b>	<b>19,003,264</b>
<b>Expenses</b>		
General government	1,126,156	1,005,723
Economic development	11,230,893	8,711,927
<b>Total Expenses</b>	<b>12,357,049</b>	<b>9,717,650</b>
<b>Increase in Net Position</b>	<b>6,841,435</b>	<b>9,285,614</b>
<b>Net Position – October 1</b>	<b>69,547,886</b>	<b>60,262,272</b>
<b>Net Position – September 30</b>	<b>\$ 76,389,321</b>	<b>\$ 69,547,886</b>

The MDC’s general revenues for governmental activities provided \$18.1 million in fiscal year 2025 as compared to \$18.0 million in fiscal year 2024. This increase is primarily attributable to higher local sales activity, reflecting improved consumer spending. This was partially offset by investment earnings, as the portfolio saw lower interest rate returns. The revenues were used to pay for expenses associated with general government and economic development activities of \$12.4 million in fiscal year 2025, compared to \$9.7 million in fiscal year 2024. The increase in economic development activities was driven by increased incentives on current economic development projects. Governmental activities are not self-supporting and are paid for through general revenues.

***Financial Analysis of the Governmental Fund***

As noted earlier, the MDC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental Fund***

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

**Midland Development Corporation  
A Component Unit of the City of Midland, Texas  
Management’s Discussion and Analysis (Unaudited)  
Year Ended September 30, 2025**

The general fund is the chief operating fund and the only fund of the MDC. Total fund balance increased \$5.4 million from 2024 to 2025 primarily due to an increase in sales tax due to improved consumer spending within the City. Economic development activities will fluctuate from year to year. MDC has approximately \$62 million in commitments at September 30, 2025, which will be expensed as requirements are satisfied by the applicable third party. As a measure of the General Fund’s liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents approximately 350% of total general fund expenditures. Most of the \$48.3 million fund balance is restricted for economic development.

**General Fund Budgetary Highlights**

Actual revenues for fiscal year 2025 exceeded the final budget amount by \$4.2 million. This is primarily due to sales tax income being \$3.3 million higher than budgeted and investment earnings are not budgeted.

Differences between the final budget and actual expenditures resulted in MDC expenditures being \$1.2 million under budget for fiscal year 2025. The major sources of this variance are direct business incentives provided by the MDC, which were under budget by \$3.1 million, offset by capital outlay being \$1.8 million over budget.

There were no budgetary adjustments during fiscal year 2025.

**Capital and Lease Assets**

The MDC’s investment in capital and lease assets for its governmental type activities as of September 30, 2025, amounts to \$29.5 million (net of accumulated depreciation and amortization). This investment in capital and lease assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, lease assets, and construction in progress.

	<b>Governmental Activities</b>	
	<b>2025</b>	<b>2024</b>
Land	\$ 14,709,691	\$ 13,239,334
Buildings	7,810,496	8,037,968
Improvements other than buildings	4,011,946	3,185,821
Machinery and equipment	19,673	35,152
Infrastructure	880,315	904,642
Lease assets	1,289,336	1,471,282
Construction in progress	729,155	1,307,593
<b>Total capital and lease assets, net</b>	<b>\$ 29,450,612</b>	<b>\$ 28,181,792</b>

Major capital asset events during the current fiscal year included the following:

- Acquisition of land for use by the MDC

Additional information on the MDC’s capital assets can be found in the notes to financial statements.

**Economic Factors and Next Year’s Budgets and Rates**

The budgetary process for fiscal year 2026 focused on the allocation of resources to economic development activities, the MDC’s assets, and contractual payments for administration of the MDC. The budget presented for MDC operations for the 2025–2026 fiscal year totals \$16.2 million.

**Midland Development Corporation  
A Component Unit of the City of Midland, Texas  
Management's Discussion and Analysis (Unaudited)  
Year Ended September 30, 2025**

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The fiscal year 2026 operating budget is supported by combined revenues of \$16.2 million. The major source of this revenue is sales tax of \$15 million.

***Request for Information***

This financial report is designed to provide a general overview of the MDC's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, MDC, 300 N. Loraine, Midland, TX 79702-1152.

**Midland Development Corporation**  
**A Component Unit of the City of Midland, Texas**  
**Statement of Net Position**  
**September 30, 2025**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 44,896,596
Investments	694,191
Sales tax receivable	2,827,722
Interest and dividends receivable	132,200
Lease receivable	1,816,318
Prepayments	245,683
Notes receivable	6,579
Capital and lease assets (net of accumulated depreciation and amortization)	<u>29,450,612</u>
<b>Total Assets</b>	<b><u>\$ 80,069,901</u></b>
<b>LIABILITIES AND NET POSITION</b>	
<b>Liabilities</b>	
Accounts payable	\$ 517,644
Accrued interest	9,421
Noncurrent liabilities	
Due within one year	196,859
Due in more than one year	<u>1,153,845</u>
<b>Total Liabilities</b>	<b><u>1,877,769</u></b>
<b>Deferred Inflows of Resources</b>	
Leases	<u>1,802,811</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>1,802,811</u></b>
<b>Net Position</b>	
Net investment in capital assets	28,126,866
Restricted for economic development	<u>48,262,455</u>
<b>Total Net Position</b>	<b><u>76,389,321</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 80,069,901</u></b>



**Midland Development Corporation**  
**A Component Unit of the City of Midland, Texas**  
**Balance Sheet – General Fund**  
**September 30, 2025**

**ASSETS**

Cash and cash equivalents	\$ 44,896,596
Investments	694,191
Sales tax receivable	2,827,722
Interest and dividends receivable	132,200
Lease receivable	1,816,318
Prepayments	245,683
Notes receivable	6,579

**Total Assets** \$ 50,619,289

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable	<u>\$ 517,644</u>
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**Total Liabilities** 517,644

**Deferred Inflows of Resources**

Leases	<u>1,802,811</u>
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**Total Deferred Inflows of Resources** 1,802,811

**Fund Balance**

Nonspendable	
Prepayments	245,683
Restricted	
Economic development	<u>48,053,151</u>

**Total Fund Balance** 48,298,834

**Total Liabilities and Fund Balance** \$ 50,619,289

**Midland Development Corporation**  
**A Component Unit of the City of Midland, Texas**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**September 30, 2025**

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Fund balance of governmental fund	\$ 48,298,834
Amounts reported for governmental activities in the statement of net position are different because	
Capital and lease assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	29,450,612
Long-term liabilities, including lease obligations and compensated absences, are not due and payable in the current period and, therefore, are not reported in the fund.	(1,350,704)
Interest payable on lease obligations does not require current financial resources, therefore, interest payable is not reported as a liability in the governmental fund's balance sheet.	<u>(9,421)</u>
Net position of governmental activities	<u><u>\$ 76,389,321</u></u>

**Midland Development Corporation**  
**A Component Unit of the City of Midland, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund**  
**Year Ended September 30, 2025**

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<b>Revenues</b>	
Sales taxes	\$ 17,280,642
Investment earnings	770,159
Rentals	1,136,327
Other	<u>11,356</u>
<b>Total Revenues</b>	<u>19,198,484</u>
<b>Expenditures</b>	
General government	
Administration	1,088,925
Economic development	10,694,961
Capital outlay	1,809,168
Debt service	
Lease payments	171,815
Interest	<u>30,491</u>
<b>Total Expenditures</b>	<u>13,795,360</u>
<b>Net Change in Fund Balance</b>	5,403,124
<b>Fund Balance, Beginning of Year</b>	<u>42,895,710</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 48,298,834</u></u>

**Midland Development Corporation**  
**A Component Unit of the City of Midland, Texas**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to**  
**the Statement of Activities**  
**Year Ended September 30, 2025**

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Net change in fund balance – governmental fund	\$ 5,403,124
Amounts reported for <i>governmental activities</i> 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 and reported as depreciation and amortization expense. This is the amount by which capital outlays (\$1,809,168) exceeded depreciation and amortization (\$540,348) in the current period.	1,268,820
The repayment of the principal on leases consumes the current financial resources of governmental funds but has no effect on net position.	171,815
Current year change in accrued interest payable does not require the use of current financial resources; and is not reported as an expense in governmental activities.	(6,740)
Current year changes in long-term liabilities for compensated absences required the use of current financial resources; therefore, they are not reported as expenses in the statement of activities.	<u>4,416</u>
Change in net position of governmental activities	<u><u>\$ 6,841,435</u></u>

## **Note 1. Nature of Operations and Summary of Significant Accounting Policies**

### ***Nature of Operations and Reporting Entity***

The Midland Development Corporation (MDC), a component unit of the City of Midland, Texas (City), is a legally separate nonprofit corporation organized under the *Texas Development Corporation Act of 1979*, Article 5190.6 Vernon's Texas Revised Civil Statutes Annotated as amended and governed by Section 4A of the Act. The MDC was incorporated in February 2002. The purpose of the MDC is to:

1. Keep existing jobs in Midland;
2. Keep existing businesses in Midland;
3. Foster the expansion of businesses currently located in Midland;
4. Attract new industry and businesses to Midland;
5. Provide long-term employment opportunities for Midlanders;
6. Promote and develop industrial and manufacturing enterprises in order to eliminate unemployment and underemployment;
7. Promote and encourage employment and the public welfare of, for, and on behalf of the City;
8. Promote areas of the City with a large number of substandard, deteriorated, or deteriorating structures, which impairs the sound growth of the City or constitutes an economic and social liability;
9. Develop areas of the City that should be developed in order to meet the development objectives of the City; and
10. Consider the impact on any local business before providing an incentive to any corporation or entity. The financial reporting entity presented in the accompanying financial statements of the MDC includes the primary corporate entity, the Midland Development Corporation. The MDC has no component units.

The accounting policies of the MDC, as reflected in the accompanying financial statements, conform to U.S. generally accepted accounting principles for local government units as prescribed by the Governmental Accounting Standards Board (GASB), the accepted body for promulgating governmental accounting and reporting principles.

The entirety of the MDC Board is appointed by the City Council and the City can impose its will upon the MDC. Additionally, the City Council and the MDC Boards are not substantively the same, and the MDC does not provide services entirely or almost entirely to the City. Therefore, MDC is a discretely presented component unit of the City. The MDC began operations on February 1, 2002.

**Midland Development Corporation**  
**A Component Unit of the City of Midland, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

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***Basic Financial Statements***

The basic financial statements are presented at two basic levels:

1. The government-wide level, where all statements are prepared using the economic resources measurement focus and the accrual basis of accounting. These statements present all assets, liabilities, revenues, expenses, and gains and losses of the MDC as governmental activities.
2. The fund level, where governmental fund statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

***Government-Wide and Fund Financial Statements***

As previously discussed, the basic financial statements of the MDC are presented at two basic levels, the government-wide level and the fund level. These statements focus on the MDC as a whole at the government-wide level and on the major fund at the fund level. Government-wide financial statements (*i.e.*, the statement of net position and the statement of activities) report information on all activities of the MDC. There is no interfund activity in the MDC financial statements. Governmental activities, which are normally supported by taxes, are the only reported activities.

The government-wide statement of net position reports all financial and capital resources of the MDC and is presented in “assets less liabilities equals net position” format. Assets and liabilities are presented in relative order of liquidity with liabilities that have an average maturity of more than one year separated into the amount due within one year and the amount due in more than one year.

The government-wide statement of activities identifies the relative financial burden of each of the MDC’s functions on the taxpayers by identifying direct expenses and the extent of self-support through program revenues. Direct expenses are clearly identifiable expenses that can be specifically associated with a function. Program revenues are revenues derived directly from the function or other sources that reduce the net cost of the function to be financed from general government revenues. Program revenues are: 1) charges to customers who purchase, use, or directly benefit from services provided by a function and which are generated by that function, 2) grants and contributions restricted to operating requirements of a function, and 3) grants and contributions restricted to capital requirements of a function. Items such as taxes, investment earnings, and nonspecific grants are not included as program revenues but are reported as general revenues that normally cover the net cost of a function.

Fund level financial statements are presented for the governmental fund, with a focus on the major fund. A major fund is a fund meeting certain specific asset, liability, revenue, or expenditure criteria relative to all funds of that type. The only major fund used by the MDC is the General Fund which is the only operating fund of the MDC. This fund accounts for the economic development activities of the MDC: collection of sales tax revenues and expenses associated with marketing and promotion of Midland.

***Measurement Focus and Basis of Accounting***

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using a current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, *i.e.*, both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In the case of sales taxes, available means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such

**Midland Development Corporation**  
**A Component Unit of the City of Midland, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

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time thereafter shall not exceed 60 days. Expenditures are generally recorded when a fund liability is incurred, except for compensated absences and lease liabilities, which are recorded only when due. Governmental fund revenues, which have been accrued based upon the susceptible to accrual concept, are sales taxes.

***Use of 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 the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Equity in Cash and Investments***

The City pools a portion of the resources of its various funds and component unit, including MDC, to facilitate the management of cash and enhance investment earnings. Investment income from this internal pooling is allocated based on the sources of funds invested. Records are maintained that reflect each fund or component unit's equity in the pooled investments.

***Cash, Cash Equivalents, and Investments***

Cash and cash equivalents include any cash on hand, demand deposits, and any highly liquid investments that have an original maturity of three months or less from date of purchase. Investments in Texas Local Government Investment Pool (TexPool), TexStar, and Texas Class are considered cash equivalents, as the amounts are available on demand. Investments, other than investments in TexPool, TexStar, Texas CLASS are recorded at fair value based upon verifiable market prices.

***Notes Receivable***

The MDC provides loans to new and expanding businesses that meet certain qualifications aligned with the MDC's purpose. In some instances, the loans are given in the form of forgivable loans and are forgiven if all requirements are met.

***Capital and Lease Assets***

Capital and lease assets are defined as a purchase or other acquisition of land, equipment, facilities, or other similar assets or the cost of construction of such asset the cost of which is in excess of \$5,000 (\$15,000 for leased assets) and has a useful life of more than one year. These assets include property, plant, equipment, and all other tangible assets purchased or acquired. Purchased or constructed assets are carried at historical cost. Contributed assets are recorded at acquisition value at the time of donation.

Major outlays for capital assets and improvements are capitalized as capital projects are completed. Depreciable capital and lease assets are depreciated or amortized using the straight-line method over the following estimated useful lives, or the lease term, whichever is shorter:

Buildings	40 years
Improvements other than buildings	20 years
Machinery and equipment	6 years
Furniture and fixtures	50 years

**Midland Development Corporation**  
**A Component Unit of the City of Midland, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

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***Compensated Absences***

Paid time off (PTO) is accrued as a liability as employees earn the benefits to the extent that they meet all of the following criteria: 1) the MDC's obligation is attributable to employees' services already rendered; 2) the leave accumulates; and 3) it is more likely than not that the MDC will compensate the employees for the benefits through PTO or some other means, such as cash payments.

The liability for compensated absences is reported in the government-wide financial statements based on the last-in-first-out (LIFO) method. The liability includes salary-related benefits, where applicable.

***Lease Payable***

The MDC is a lessee for noncancellable leases. The MDC recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The MDC recognizes a lease assets and related liability with an initial, individual value of \$15,000 or more. At the commencement of a lease, the MDC initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The lease asset is amortized on a straight-line basis over the shorter of its useful life or lease term.

The MDC monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

***Net Position***

Net position of the MDC is classified in two components on its statements of net position.

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the MDC.

***Nature and Purpose of Classifications of Fund Balances***

Governmental funds fund balances classified as restricted can only be used for specific purposes pursuant to constraints imposed by state law for Type A development corporations. Fund balances classified as nonspendable include amounts that cannot be spent because they are not in a spendable form.

***Net Position/Fund Balance Flow Assumption***

It is the MDC's policy to consider restricted net position/fund balances to have been depleted before unrestricted net position/fund balances is applied.

***New Accounting Pronouncements***

Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences under a unified model. Specifically, the new standard clarifies that a liability should be recorded for compensated absences that are more likely than not to be paid or otherwise settled. Additionally, it amends certain existing disclosure requirements. The MDC adopted this standard in fiscal year 2025. There was no effect on beginning net position.

**Midland Development Corporation**  
**A Component Unit of the City of Midland, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

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GASB Statement 102, *Certain Risk Disclosures*, clarifies the definitions for a concentration and a constraint, and it provides disclosure requirements for concentrations and constraints that are determined to have a risk of substantial impact. The MDC adopted this standard in fiscal year 2025. There was no effect on the financial statements.

***Future Accounting Pronouncements***

GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), improves the financial reporting model by standardizing the presentation for various matters within governmental financial statements. The purpose is to eliminate diversity in practice and improve comparability. Impacted areas include management's discussion and analysis, unusual or infrequent items, the definitions and presentation of operating and nonoperating revenues and expenses in enterprise funds, presentation of major component units, presentation of budgetary comparison information, and financial trends information within the statistical section of separately issued financial reports. The requirements of this Statement are effective for the MDC fiscal year 2026 and all reporting periods thereafter. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, (GASB 104), requires certain types of capital assets to be disclosed separately in the capital assets note disclosures. GASB 104 requires lease assets recognized in accordance with GASB Statement No. 87, *Leases*, intangible right-to-use assets recognized in accordance with GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, subscription assets recognized in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and intangible assets other than those three types to be disclosed separately by major class. In addition, GASB 104 requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for MDC fiscal year 2026 and all reporting periods thereafter. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 105, *Subsequent Events* (GASB 105), defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The requirements of this Statement are effective for the MDC fiscal year 2026 and all reporting periods thereafter. Management has not yet determined the impact of this Statement on its financial statements.

**Note 2. Deposits, Investments, and Investment Income**

***Custodial Credit Risk – Deposits***

In the case of deposits, this is the risk that, in the event of a bank's failure, the MDC's deposits may not be returned to it. As of September 30, 2025, the MDC's bank balance not held with the City's pooled cash was \$161,584 and was fully insured as of September 30, 2025. The remainder of MDC deposits, which are combined with the City's deposits, were fully insured or collateralized as of September 30, 2025. The carrying amount of the total deposits as of September 30, 2025 was \$18,145,937.

In addition to these bank balances, Wells Fargo Bank serves as custodian for the City's eligible federal treasury and agency securities and municipal bonds and MDC's share is \$694,191 at September 30, 2025.

**Midland Development Corporation**  
**A Component Unit of the City of Midland, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

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***Investments***

Investments, other than balances in government investment pools, are carried at fair value. The MDC's investment policies are governed by State statutes. The MDC is governed by the City's investment policies that further limit State statutes such that eligible investments include the following:

***Obligations of the United States or its Agencies and Instrumentalities***

1. United States of America Treasury securities
2. Farmers Home Administration (FmHA) obligations backed by the full faith and credit of the United States
3. Federal Home Loan Bank (FHLB) bonds
4. Federal National Mortgage Association (Fannie Mae or FNMA) notes and debentures
5. Farm Credit System Obligations
6. Federal Home Loan Mortgage Corporation (Freddie Mac or FHLMC) obligations, *i.e.*, discount notes or debentures.

***Direct Obligations of the State of Texas or Its Agencies***

Texas State, City, County, or School District General Obligation Bonds with a remaining maturity of 10 years or less having been rated as to investment quality by Moody's or Standard and Poor's (nationally recognized investment rating firms) and having received a rating of no less than "A" or its equivalent.

***Certificates of Deposit Issued by State and National Banks Domiciled in this State***

Certificates of deposit issued by state and national banks domiciled in this state that are: (1) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or (2) secured by obligations that are described in V.T.C.A., Local Government Code Sections 105.001 et seq.

***Fully Collateralized Repurchase Agreements Having a Defined Termination Date***

Fully collateralized direct repurchase agreements and reverse repurchase agreements with a defined termination date of no more than 90 days from the date such investment is purchased, secured by obligations of the United States or its agencies and instrumentalities with a market value of not less than the amount of the funds disbursed and held by a custodian for the MDC.

Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas. Money received under the terms of a reverse repurchase agreement shall be used to acquire additional eligible investments whose maturity does not exceed the expiration date of the reverse repurchase agreement.

***Money Market Funds***

Money market funds fully authorized by State statute of both public and private sponsorship.

***Other Securities or Obligations Approved by the City Council***

Other such securities or obligations as authorized by State statute and approved by the City Council.

**Midland Development Corporation**  
**A Component Unit of the City of Midland, Texas**  
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**September 30, 2025**

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***Investment Pools***

The MDC invests in three governmental investment pools, TexStar, Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS), and the Texas Local Government Investment Pool (TexPool), which were created under the *Interlocal Cooperation Act*, Texas Government Code Ann. Ch. 791, and the Texas Government Code Ann. Ch. 2256. TexStar and Texas CLASS are rated AAAM and seek to maintain a constant net asset value of \$1.00. TexPool is also rated AAAM, and balances are reported at amortized cost. Investments in the pools are considered to be cash equivalents when preparing these financial statements.

The Texas Treasury Safekeeping Trust Company (Trust) is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is the sole officer, director, and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the *Public Funds Investment Act*, Texas Government Code Ann. chapter 2256. TexStar is governed by a five-member Board of Directors comprising three government officials or employees and two other persons with expertise in public finance. Additionally, TexStar has a five-member Advisory Board. Texas CLASS is supervised by a Board of Trustees (Board) who are elected by the Participants and shall be an odd number of three or more. Additionally, Texas CLASS has a five-member Advisory Board. Fair value of the MDC's position in the pools is, in all material respects, the same as the value of the pool shares. Investment income earned on pooled cash and investments is allocated to each fund based upon each fund's weighted-average daily cash and investment balances.

***Credit Risk***

In compliance with the MDC's investment policy, as of September 30, 2025, the MDC minimized credit risk by limiting investments to the safest types of securities and diversifying the portfolio so that potential losses on individual securities were minimized. The investment pools, which represent approximately 97% of the portfolio, are rated AAAM by Standard and Poor's. The Federal National Mortgage Association, Federal Home Loan Bank notes, and Federal Home Loan Mortgage Corporation obligations were all rated AAA by Standard and Poor's.

***Interest Rate Risk***

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits final stated maturities to ten years maximum with no more than 30% exceeding seven years and dollar weighted-average portfolio maturity not to exceed five years in the investments listed above. The investment pools are presented as an investment with a maturity of less than one year because the average maturity of the pools is less than one year.

**Midland Development Corporation**  
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The MDC's investments carried at fair value are as follows as of September 30, 2025:

<u>Investments</u>	<u>Fair Value</u>	<u>Weighted-Average Maturity (in Years)</u>	<u>Credit Risk</u>
FHLB	\$ 369,042	7.70	AAA
FNMA	20,387	6.60	AAA
FHLMC	53,721	7.00	AAA
FFCB	219,873	7.90	AAA
FNBS2013	3,688	1.30	AAA
FAMCA	21,112	10.00	AAA
FHLMB	4,180	0.10	AAA
Municipal bonds	2,188	6.00	AAA
TexPool	14,082,755	0.27	AAAm
TexStar	5,320,552	0.19	AAAm
Texas CLASS	7,347,352	0.23	AAAm
Total	<u>\$ 27,444,850</u>	3.92	

***Concentration of Credit Risk***

The MDC's investment policy states that the portfolio(s) shall be diversified by type of investment and maturities to reduce risks resulting from undue investment concentration. More than 5% of the MDC investments are in the following investments at September 30, 2025:

<u>Investment</u>	<u>Amount</u>
TexPool	\$ 14,082,755
TexStar	5,320,552
Texas CLASS	7,347,352

***Fair Value of Investments***

The MDC measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1** Quoted prices for identical investments in active markets;
- Level 2** Observable inputs other than those in Level 1; and
- Level 3** Unobservable inputs, if any.

Debt securities classified as Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors. The MDC has no Level 3 investments at September 30, 2025.

**Midland Development Corporation**  
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The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2025:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level				
U.S. agency securities	\$ 692,003	\$ -	\$ 692,003	\$ -
Municipal bonds	2,188	-	2,188	-
Total investments by fair value level	<u>694,191</u>	<u>\$ -</u>	<u>\$ 694,191</u>	<u>\$ -</u>
Investments measured at net asset value				
TexStar	5,320,552			
Texas CLASS	<u>7,347,352</u>			
Total investments at net asset value	<u>12,667,904</u>			
Investments measured at amortized cost				
TexPool	<u>14,082,755</u>			
Total investments at amortized cost	<u>14,082,755</u>			
Total investments	<u>\$ 27,444,850</u>			

**Note 3. Receivables**

The receivables as of September 30, 2025 for the MDC include sales tax receivables of \$2,827,722 due from the State of Texas and interest and dividends receivable of \$132,200.

The MDC provides funds to other entities in which requirements, contained within agreements between the MDC and recipients, are to be met or funds are required to be returned to the MDC. Receivables are recorded until requirements are met. At the time requirements are met, the MDC reduces its receivables and recognizes economic development expenses. Notes receivable of \$6,579, at September 30, 2025, are economic development agreements with the City of Midland.

**Midland Development Corporation**  
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**Notes to Financial Statements**  
**September 30, 2025**

**Note 4. Capital Assets**

Capital assets activity for the year ended September 30, 2025:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ Adjustments</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>					
Capital assets, not being depreciated					
Land	\$ 13,239,334	\$ 1,470,357	\$ -	\$ -	\$ 14,709,691
Construction in progress	1,307,593	-	-	(578,438)	729,155
Total capital assets, not being depreciated	<u>14,546,927</u>	<u>1,470,357</u>	<u>-</u>	<u>(578,438)</u>	<u>15,438,846</u>
Capital and lease assets, being depreciated/amortized					
Buildings	10,011,046	-	-	-	10,011,046
Improvements other than buildings	3,521,263	308,811	-	578,438	4,408,512
Machinery and equipment	162,581	-	-	-	162,581
Lease asset	1,831,364	-	-	-	1,831,364
Infrastructure	1,362,237	30,000	-	-	1,392,237
Total capital and lease assets, being depreciated/amortized	<u>16,888,491</u>	<u>338,811</u>	<u>-</u>	<u>578,438</u>	<u>17,805,740</u>
Less accumulated depreciation/amortization for					
Buildings	(1,973,078)	(227,472)	-	-	(2,200,550)
Improvements other than buildings	(335,442)	(61,124)	-	-	(396,566)
Machinery and equipment	(127,429)	(15,479)	-	-	(142,908)
Lease asset	(360,082)	(181,946)	-	-	(542,028)
Infrastructure	(457,595)	(54,327)	-	-	(511,922)
Total accumulated depreciation/amortization	<u>(3,253,626)</u>	<u>(540,348)</u>	<u>-</u>	<u>-</u>	<u>(3,793,974)</u>
Total capital and lease assets, being depreciated/amortized, net	<u>13,634,865</u>	<u>(201,537)</u>	<u>-</u>	<u>578,438</u>	<u>14,011,766</u>
Governmental activities capital and lease assets, net	<u>\$ 28,181,792</u>	<u>\$ 1,268,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,450,612</u>

Depreciation and amortization expense of \$540,348 was charged to the economic development function/program of the governmental activities.

**Note 5. Employee Benefit Plan**

The MDC participates in a multiple-employer defined contribution salary deferral plan created in accordance with Internal Revenue Code Section 401(k). The plan is administered by the American Chamber of Commerce Executives Profit Sharing Plan. Active participants must be at least 21 years of age with a minimum of one month of eligibility service. The MDC makes a matching contribution of up to 7% of each eligible employee's total annual compensation to the plan. Employees may also make elective deferral contributions up to specified limits of their total compensation each year. The MDC contributed a total of \$6,954 to the plan during fiscal year 2025.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in MDC contributions at 25% after one year of eligible service, 50% after two years, 75% after three years, and 100% after four years of eligible service. Nonvested MDC contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. There were no forfeitures during 2025.

**Midland Development Corporation**  
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**Notes to Financial Statements**  
**September 30, 2025**

**Note 6. Long-Term Obligations**

The following is a summary of long-term obligation transactions for the MDC for the year ended September 30, 2025:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Compensated absences*	\$ 31,374	\$ -	\$ (4,416)	\$ 26,958	\$ 20,219
Lease liability – primary government	1,351,911	-	(101,045)	1,250,866	103,760
Lease liability	<u>143,650</u>	<u>-</u>	<u>(70,770)</u>	<u>72,880</u>	<u>72,880</u>
<b>Governmental Activities Long-Term Liabilities</b>	<u>\$ 1,526,935</u>	<u>\$ -</u>	<u>\$ (176,231)</u>	<u>\$ 1,350,704</u>	<u>\$ 196,859</u>

\*The change in the accrued compensated absences balance is presented as a net amount, in accordance with GASB 101.

**Note 7. Leases**

**Leases Liability**

The MDC has agreements for buildings, a hangar, and land, the terms of which expire in various years through 2049. During the fiscal year ended September 30, 2025, the MDC did not recognize any rental expense for variable payments not previously included in the measurement of the lease liability.

Two of the lease agreements for the hangar and land at the airport are with the City and have an ending lease liability balance of \$1,250,866 at September 30, 2025.

The following is a schedule by year of payments under the leases as of September 30, 2025:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 176,640	\$ 27,588	\$ 204,228
2027	106,551	24,549	131,100
2028	109,421	21,679	131,100
2029	112,373	18,727	131,100
2030	115,410	15,690	131,100
2031–2035	405,355	35,945	441,300
2036–2040	104,554	15,446	120,000
2041–2045	111,294	8,706	120,000
2046–2049	<u>82,148</u>	<u>1,853</u>	<u>84,001</u>
	<u>\$ 1,323,746</u>	<u>\$ 170,183</u>	<u>\$ 1,493,929</u>

**Midland Development Corporation**  
**A Component Unit of the City of Midland, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

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**Lease Receivable**

The MDC leases a building to a third party, the terms of which expire in 2035. The MDC and tenant have an economic incentive agreement whereby monthly rent is abated if certain criteria are met. The MDC recognized approximately \$159,000 in lease and interest revenue during the current fiscal year related to the lease. In addition, approximately \$110,000 in lease payments was abated to the tenant during the current fiscal year. As of September 30, 2025, the MDC’s receivable was \$1,816,318 and the balance of deferred inflow of resources related to this lease was \$1,802,811.

**Regulated Leases**

In accordance with GASB 87, the MDC does not recognize a lease receivable and a deferred inflow of resources for regulated leases in which the MDC is the lessor. Regulated leases are certain leases that are subject to external laws, regulation, or legal rulings, e.g., the U.S. Department of Transportation and the Federal Aviation Administration, between airports and air carriers and other aeronautical users. The MDC has a regulated lease related to a sublease at the City of Midland’s regional airport. The lease is for use of the land leased by the MDC and subsequently subleased to the tenant. The tenant constructs or improves, owns, and maintains all the improvements on the land. This lease allows access to the land for aeronautical use. At the end of the ground lease, the improvements revert to City ownership. The revenue recognized for the lease during the fiscal year ended September 30, 2025 was \$976,644.

The future lease receipts for the MDC regulated lease were as follows as of September 30, 2025:

<u>Fiscal Year Ending September 30</u>	<u>Payment</u>
2026	\$ 976,644
2027	976,644
2028	976,644
2029	976,644
2030	976,644
2031–2034	<u>3,011,319</u>
 Total minimum lease payments	 <u><u>\$ 7,894,539</u></u>

**Note 8. Risk Management**

The MDC is exposed to various risks of loss related to torts, property damage, errors and omissions, and various employee related matters. Risks other than those related to torts, are covered by commercial insurance. For the purposes of the *Texas Tort Claims Act* (Subchapter A, Chapter 101, Texas Civil Practices and Remedies Code), the MDC is a governmental unit, and its actions are governmental functions and, therefore, are limited by governmental immunity. As of September 30, 2025, there were no claims outstanding. There has been no significant reduction in coverage from 2024 to 2025; nor have settlement amounts exceeded coverage for each of the past three years.

## **Note 9. Commitments and Contingencies**

### ***Litigation***

No legal action arose in the ordinary course of the MDC's business during the fiscal year ended September 30, 2025.

### ***Commitments***

At September 30, 2025, the MDC had contracts for economic development commitments of approximately \$62 million, with the majority due over the next six years if various conditions are satisfied by the third parties.

## **Note 10. Related-Party Transactions**

A majority of the MDC board is appointed by the City and the City can impose its will upon MDC. Accordingly, the MDC is a discretely presented component unit of the City.

The City allocates to the MDC an indirect cost percentage of administrative services for the MDC but paid through the City along with other indirect costs deemed necessary for operations. During the fiscal year ended September 30, 2025, the City was reimbursed \$427,412 for these services.

The MDC provides amounts to the City for capital projects. During fiscal year 2025, \$4,022,314 was provided by the MDC to the City.

***Required Supplementary Information***

**Midland Development Corporation**  
**A Component Unit of the City of Midland, Texas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual – General Fund**  
**Year Ended September 30, 2025**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
Sales taxes	\$ 14,000,000	\$ 17,280,642	\$ 3,280,642
Investment earnings	-	770,159	770,159
Rentals	976,644	1,136,327	159,683
Other	-	11,356	11,356
<b>Total Revenues</b>	<u>14,976,644</u>	<u>19,198,484</u>	<u>4,221,840</u>
<b>Expenditures</b>			
General government	1,094,257	1,088,925	5,332
Economic development	13,805,187	10,694,961	3,110,226
Capital outlay	-	1,809,168	(1,809,168)
Debt service	77,200	202,306	(125,106)
<b>Total Expenditures</b>	<u>14,976,644</u>	<u>13,795,360</u>	<u>1,181,284</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>-</u>	<u>5,403,124</u>	<u>5,403,124</u>
<b>Net Change in Fund Balance</b>	-	5,403,124	5,403,124
<b>Fund Balance, Beginning of Year</b>	<u>42,895,710</u>	<u>42,895,710</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 42,895,710</u>	<u>\$ 48,298,834</u>	<u>\$ 5,403,124</u>

**Midland Development Corporation  
A Component Unit of the City of Midland, Texas  
Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balance –  
Budget and Actual – General Fund  
Year Ended September 30, 2025**

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***Notes to Schedule***

The annual budget is legally adopted by the MDC Board and approved by the City Council of the City of Midland (City) on a basis consistent with U.S. generally accepted accounting principles.

The MDC Board follows these procedures in establishing the budget reflected for the MDC:

1. At least sixty (60) days prior to October 1 of each year, the MDC Board, with the assistance of the MDC Treasurer, prepares and adopts a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and other such budgetary information as required by the City Council for approval and adoption.
2. The proposed budget is then submitted to the City Council for approval and is considered adopted upon formal approval by the City Council.
3. Expenditures may not exceed the appropriation for the adopted annual operating budget.
4. Supplemental appropriations during the year must be approved and adopted by the MDC Board and the City Council through passage of resolution.