

**TULOSO-MIDWAY INDEPENDENT
SCHOOL DISTRICT**

**Annual Financial Report
For the Year Ended August 31, 2018**

**ERNEST R. GARZA & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

**Authorized Contact:
Ernest R. Garza, C.P.A.
361-241-2452 Office
800-241-1272 Office
361-242-1525**

Tuloso-Midway Independent School District
Annual Financial Report
For the Year Ended August 31, 2018

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CERTIFICATE OF BOARD

Tuloso-Midway Independent School District
Name of School District

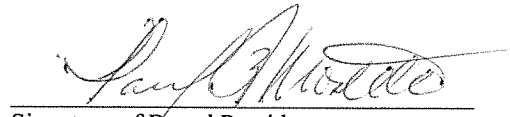
Nueces
County

178-912
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ✓ approved disapproved for the year ended August 31, 2018 at a meeting of the Board of Trustees of such school district on the 14th day of January 2019.



Signature of Board Secretary



Signature of Board President

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

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**ERNEST R. GARZA
AND COMPANY, P.C.**
Certified Public Accountants

10201 Leopard #A
Corpus Christi, Texas 78410
Bus. (361) 241-2452
Fax No. (361) 242-1525
Toll Free 1-800-241-1272



6102 Ayers St. #106
Corpus Christi, Texas 78415
Bus. (361) 723-0685
Fax (361) 723-0689

**Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and
Other Information—State or Local Governmental Entity**

Independent Auditor's Report

Tuloso-Midway Independent School District
9760 La Branch Dr
Corpus Christi, Texas 78410

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tuloso-Midway Independent School District as of and for the year ended August 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tuloso-Midway Independent School District as of August 31, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note T to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* on pages 9-18, 74, 95-96 and Schedule of District's Proportionate Share of the Net Pension Liability (TRS), Schedule of District Contributions to TRS, Schedule of District's Proportionate Share of the Net OPEB Liability (TRS) and Schedule of District OPEB Contributions to TRS as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

Other Information

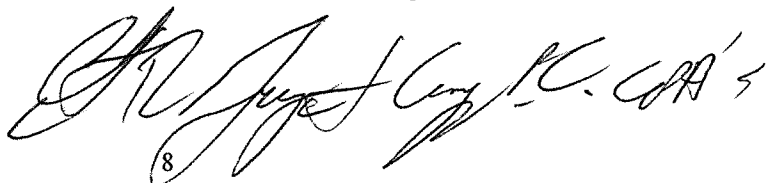
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tuloso-Midway Independent School District's basic financial statements. The combining and individual non-major fund financial statements and schedule of expenditures of federal awards, are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and TEA required schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

The *combining and individual non-major fund financial statements and schedule of expenditures of federal awards*, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the TEA required schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The combining and individual non-major fund financial statements, schedule of expenditures of federal awards and the TEA required schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2019 on our consideration of Tuloso-Midway Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tuloso-Midway Independent School District's internal control over financial reporting and compliance.

Ernest R. Garza and Company, P.C. CPA's
Corpus Christi, Texas
January 7, 2019



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Tulo-Midway Independent Schools District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

DISTRICT HIGHLIGHTS

Tulo-Midway Independent School District (T-MISD) is located in South Texas, specifically in the Northwest area of Corpus Christi. Below are some district highlights:

- District Tagline: All Students Can Learn – Believe It and Achieve It
- The mission of the Tulo-Midway Independent School District is to educate every student to be a lifelong learner, a person of integrity, and a positive contributor to society.
- District Goals include:
 - Exceed increasing academic standards by addressing the needs of each student and enable students to develop and pursue their vision for success in education, life and career
 - Recruit, retain and develop highly qualified employees with a sense of responsibility for the success of a new generation of students
 - Commit to fostering a community that will support the success of all students
 - Provide a safe, healthy and drug-free environment that promotes positive lifestyles
 - Aggressively obtain and allocate resources to facilitate optimal student achievement
 - Incorporate innovative technologies to optimize teaching, learning, and working
 - Demonstrate effective planning of maintenance, options and facilities
- T-MISD is known as the “School District of Choice in the Coastal Bend” with over 800 out-of-district transfer students.
- The District operates on a year-round calendar that provides one week of intercession after each six weeks of instruction.
- The Texas Education Agency rated T-MISD as a C on the A-F Accountability scale during the 2017-2018 school year.
- Annual drop-out rate for the District is less than 1%.
- T-MISD consists of 5 campuses throughout the district.
 - High School – Serves grade 9 through 12
 - Academic Career Center – Serves as an alternative high school
 - Middle School – Serves grade 6 through 8
 - Intermediate School – Serves grade 3 through 5
 - Primary School – Serves Pre-Kindergarten through 2nd grade.
- T-MISD is a small 5A school district that encompasses 415 square miles in Nueces County. Industrial (oil and gas) and agriculture provide the economic base of the district.
- The enrollment of the district increased about 1.0%. Enrollment approached 3,888, with the average daily attendance approximating 3,635 students daily.
- The School Nutrition department services up approximately 2,516 breakfasts and 2,658 lunches daily, for a total of approximately 5,174 meals a day.
- T-MISD employees approximately 602 full-time and part-time employees, including 287 teachers.
- The district is considered a wealthy school district based on property tax revenue per student accounting to the Texas Education Agency. Therefore, the district sent \$1.2 million of local property tax revenue to the State of Texas to fund other school districts during the current fiscal year. This amounted to 4.3% of local property tax revenue sent out of the district, however, 67.5% of the students in the district are economically disadvantaged.
- The oldest school building in use in the district is the Middle School gym built in 1952 and the newest building in use is the Intermediate School classroom addition built in 2017.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

- The District's total combined net position was \$7,148,947 (Exhibit A-1, B-1) at August 31, 2018, a decrease of 15,766,849.
- Unrestricted Net Position was \$(10,223,283) excluding the enterprise funds (Exhibit A-1), a decrease of \$14,801,231.
- Total cost of all of the District's programs was \$39,807,369 excluding the enterprise funds (Exhibit B-1) which was \$11,196,199 less than the previous year.
- All significant variances are due to the adoption of the new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB).

Fund Financial Statements

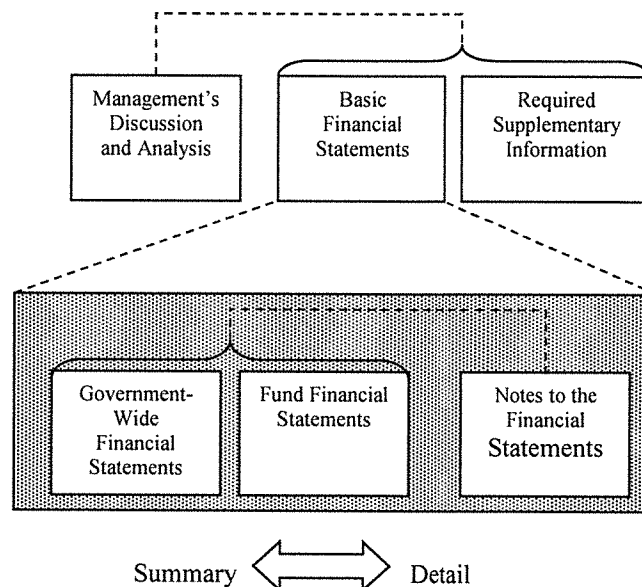
- The general fund reported a total fund balance this year of \$8,386,875. Approximately 92.59% or \$7,765,736 of the total fund balance is unassigned and equals 20.17% of the current fiscal year's total general fund expenditures and transfers out. The unassigned fund balance is available for spending at the government's discretion.
- During the year, the District's expenditures were \$1,177,751 (Exhibit C-3) more, before extraordinary items, than the \$49,266,767 generated in taxes and other revenues for governmental activities.
- Property Tax Receivables were increased due to non-payment of taxes by the District's two largest taxpayers – Flint Hills Resources (approximately \$1.43 million due to property value protests) and M&G Resins (approximately \$1.36 million due to filing for bankruptcy protection). The decreased tax revenues resulted in the significant decrease of the Debt Service Fund Balance.
- General Fund Other Receivables are increased for the Chapter 313 agreement payments due from M&G Resins (\$360,832 in supplemental payments and \$3,690,410 in hold-harmless payments) on January 31, 2018, once again a result of their bankruptcy filing.
- On September 11, 2010, the District voters approved a tax ratification election (TRE) granting the District the authority to raise the maintenance and operations (M&O) tax rate to the maximum limit of \$1.17 per \$100 tax valuation from the previous \$1.04 tax rate. This \$.13 increase was offset by reducing the Interest and Sinking (I&S) tax rate of \$.13 maintaining the total tax rate at \$1.3322. This tax swap provided an additional one-time \$2.1 million increase in state and tax revenue to the General Fund for the 2010-2011 fiscal year. Due to property value fluctuations and the required effective tax rate calculations the M&O tax rate has decreased down to \$1.04 for 2013-2014 and back up to \$1.17 for 2017-2018. The I&S tax rate peaked at \$0.3045 for 2014-2015. The current I&S tax rate for 2017-2018 is \$0.2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The government funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as self-insurance.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1. Required Components of the District's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-Wide and Fund Financial Statements

<i>Types of Statements</i>	Fund Statements			
	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Fund
<i>Scope</i>	Entire District's government (except fiduciary funds) and the District's component units	The activities of the District that are not proprietary of fiduciary	Activities the District operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statement</i>	*Statement of net position	*Balance Sheet	*Statement of net position	*Statement of Fiduciary net position
	*Statement of activities	*Statement of revenues, expenditures & changes in fund balance	* Statement of revenues, expenses, and changes in fund net position	* Statement of changes in fiduciary net position
			*Statement of cash flows	
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term , the District's funds do not currently contain capital assets, although they can
<i>The of inflow/outflow information</i>	All revenue and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues are expenses during the year, regardless of when cash is received or paid	All revenues and expense during the year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has five kinds of funds:

- ***Governmental funds***—Most of the District's basic services are reported in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- ***Debt Service fund*** – This fund is used to account for tax revenues and for the repayment of principal, interest and related costs on long-term debt for which a tax has been dedicated.
- ***Capital Projects fund*** – This fund is used to account for proceeds for long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.
- ***Proprietary fund***—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal funds to report activities that provide supplies and services for the District's other programs and activities—such as the District's Self Insurance Fund.
- ***Fiduciary funds***—The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We excluded these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position - The District's combined net position was \$7,148,947 at August 31, 2018. (See Exhibit A-1, B-1).

The \$7,765,736 of unassigned fund balance represents resources available to fund the programs of the District's next year. (Exhibit C-1)

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

Net position of the District's governmental activities decreased from \$22,915,796 to \$6,956,907. Implementation of new accounting pronouncement GASB Statement No. 75 related to accruals of other post-employment benefit liabilities (OPEB) was the primary reason behind the significant decrease in net position for the year. The net effect of GASB 75 on current year net position was approximately \$14.7 million on unrestricted net position. Unrestricted net position - the part of net position that can be used to finance day-today operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased from \$4,711,991 to \$(10,031,243) due to the effects of GASB 75. Current and other assets decreased by \$5,718,781. Capital assets decreased by \$3,763,967 due to current year depreciation expense in excess of asset additions. Long-term liabilities increased by \$6,293,364 due to the effects of GASB 75 offset by principal retired on outstanding debt. Other liabilities decreased by \$2,558,469 due to ending accrued liabilities and a reduction in state revenue overpayments. Deferred resource outflows related to TRS net pension and OPEB liabilities decreased by \$678,090 and deferred resource inflows related to TRS net pension and OPEB liabilities increased by \$5,467,653.

The District's total revenues were \$4,377,894 less than last year. Operating grants and contributions were lower by \$8.2 million due primarily to the effects of negative on-behalf revenue related to GASB 75. Charges for services were lower by \$117,525 due to reduced food service sales due to free lunch eligibility during the period following hurricane Harvey. Tax revenues were consistent. Tax value increases were offset by large taxpayers (Flint Hills Resources and M&G Resins) non-payment of taxes.

Changes in expenses for the year are not comparable to prior year due to the overall effects of GASB 75 on current year expenses. As stated previously, current year on-behalf activity relative to last year was negative by \$6.3 million. Therefore, nearly every functional category was affected by this significant net decrease in expenses.

Table A-1
Tuloso-Midway Independent School District's Net Position

		1	2	3		
		Primary Government				
Data		Business				
Control		Governmental	Type	2018	2017	Variance
Codes		Activities	Activities	Total	Total	2018-2017
ASSETS						
1110	Cash and Cash Equivalents	\$ 6,824,843	\$ 200,925	\$ 7,025,768	15,082,030	(8,056,262)
1220	Property Taxes Receivable (Delinquent)	3,936,163	-	3,936,163	1,133,134	2,803,029
1230	Allowance for Uncollectible Taxes	(1,727,600)	-	(1,727,600)	(382,511)	(1,345,089)
1240	Due from Other Governments	1,626,178	-	1,626,178	959,199	666,979
1290	Other Receivables, net	4,067,513	-	4,067,513	19,081	4,048,432
1300	Inventories	72,736	-	72,736	155,668	(82,932)
1490	Other Current Assets	461,893	-	461,893	450,864	11,029
	Capital Assets:					
1510	Land	995,733	-	995,733	995,732	1
1520	Buildings, Net	81,560,709	-	81,560,709	83,608,109	(2,047,400)
1530	Furniture and Equipment, Net	2,020,160	-	2,020,160	1,830,820	189,340
1580	Construction in Progress	-	-	-	1,905,908	(1,905,908)
1000	Total Assets	99,838,328	200,925	100,039,253	105,758,034	(5,718,781)
DEFERRED OUTFLOWS OF RESOURCES						
1705	Deferred Outflow Related to TRS Pension	2,370,037	-	2,370,037	-	2,370,037
1706	Deferred Outflow Related to TRS OPEB	198,000	-	198,000	3,246,127	(3,048,127)
1700	Total Deferred Outflows of Resources	2,568,037	-	2,568,037	3,246,127	(678,090)
LIABILITIES						
2110	Account Payable	593,935	-	593,935	1,880,381	(1,286,446)
2140	Interest Payable	136,586	-	136,586	152,217	(15,631)
2150	Payroll Deductions & Withholdings	3,934	-	3,934	9,465	(5,531)
2160	Accrued Wages Payable	195,955	8,885	204,840	184,559	20,281
2180	Due to Other Governments	697,040	-	697,040	1,968,923	(1,271,883)
2190	Due to Others	15,002	-	15,002	23,196	(8,194)
2300	Unearned Revenue	96,091	-	96,091	87,156	8,935
	Noncurrent Liabilities					-
2501	Due Within One Year	4,954,200	-	4,954,200	4,786,770	167,430
2502	Due in More Than One Year	65,589,769	-	65,589,769	69,609,564	(4,019,795)
2540	Net Pension Liability (District's Share)	5,741,626	-	5,741,626	6,983,539	(1,241,913)
2545	Net OPEB Liability (District's Share)	11,555,072	-	11,555,072	-	11,555,072
2000	Total Liabilities	89,579,210	8,885	89,588,095	85,685,770	3,902,325
DEFERRED INFLOW OF RESOURCES						
2603	Deferred Resource Inflow Related to TRS Pension	1,036,740	-	1,036,740	-	1,036,740
2605	Deferred Resource Inflow Related TRS OPEB	4,833,508	-	4,833,508	402,595	4,430,913
2600	Total Deferred Inflows of Resources	5,870,248	-	5,870,248	402,595	5,467,653
NET POSITION						
3200	Net Investment in Capital Assets	14,224,962	-	14,224,962	13,890,913	334,049
	Restricted:					
3820	Restricted for Federal and State Programs	535,915	-	535,915	220,647	315,268
3850	Restricted for Debt Service	258,007	-	258,007	1,211,495	(953,488)
3860	Restricted for Capital Projects	990,090	-	990,090	1,940,151	(950,061)
3890	Restricted for Other Purposes	1,171,216	-	1,171,216	940,599	230,617
3900	Unrestricted	(10,223,283)	192,040	(10,031,243)	4,711,991	(14,743,234)
3000	Total Net Position	\$ 6,956,907	\$ 192,040	\$ 7,148,947	\$ 22,915,796	\$ (15,766,849)

The notes to the financial statements are an integral part of this statement.

Change in net position

The District's total governmental revenues were \$44,241,020. A portion, 80.9%, of the District's governmental revenue, comes from taxes. Approximately 17.6% comes from Operating Grants and Contributions and other income, while only 1.5% relates to charges for services. (See Exhibit B-1)

The total cost of all governmental programs and services was \$39,807,369. (Exhibit B-1)

Governmental Activities

- The Maintenance and Operation tax rate, in compliance with State funding laws, is \$1.17 per \$100 value, identical to the previous year. The Interest and Sinking tax rate decreased to \$.2022. The total tax rate was decreased to 1.3722 in 2018 from \$1.4089 in 2017 per \$100. Other than noted specific exceptions tax collections remain consistent.

	Governmental		Business		Total		Net Difference
	2018	2017	2018	2017	2018	2017	2018-2017
Program Revenues:							
Charges for Services	\$ 672,695	\$ 790,220	\$ 278,314	\$ 255,518	\$ 951,009	\$ 1,045,738	\$ (94,729)
Operating Grants and Contributions	(1,785,724)	6,423,272	-	-	(1,785,724)	6,423,272	(8,208,996)
General Revenues							
Property Taxes	35,796,711	35,741,362	-	-	35,796,711	35,741,362	55,349
State Aid-Formula	5,244,430	3,090,554	-	-	5,244,430	3,090,554	2,153,876
Investment Earnings	261,666	201,297	-	-	261,666	201,297	60,369
Other	4,051,242	2,395,005	-	-	4,051,242	2,395,005	1,656,237
Total Revenues	44,241,020	48,641,710	278,314	255,518	44,519,334	48,897,228	(4,377,894)
Expenses							
Instruction	16,993,220	23,341,257	-	-	16,993,220	23,341,257	(6,348,037)
Instructional Res. Media Serv.	333,690	442,490	-	-	333,690	442,490	(108,800)
Curriculum Dev. and Instructional Staff Develop.	172,769	159,977	-	-	172,769	159,977	12,792
Instructional Leadership	453,800	635,723	-	-	453,800	635,723	(181,923)
School Leadership	1,515,994	2,072,644	-	-	1,515,994	2,072,644	(556,650)
Guidance, Counseling and Evaluation Services	1,138,681	1,468,430	-	-	1,138,681	1,468,430	(329,749)
Social Work Services	18,762	17,741	-	-	18,762	17,741	1,021
Health Services	280,421	422,649	-	-	280,421	422,649	(142,228)
Student (Pupil) Transportation	1,164,495	1,257,133	-	-	1,164,495	1,257,133	(92,638)
Food Services	2,387,436	2,470,574	-	-	2,387,436	2,470,574	(83,138)
Curricular/Extracurr. Activities	2,519,278	2,856,179	-	-	2,519,278	2,856,179	(336,901)
General Administration	1,553,204	1,913,967	-	-	1,553,204	1,913,967	(360,763)
Plant Maint. & Operations	5,326,262	8,672,067	-	-	5,326,262	8,672,067	(3,345,805)
Security and Monitoring	324,809	236,431	-	-	324,809	236,431	88,378
Data Processing Services	561,767	636,069	-	-	561,767	636,069	(74,302)
Community Service	(84,671)	37,654	-	-	(84,671)	37,654	(122,325)
Debt Service	3,425,047	2,973,421	-	-	3,425,047	2,973,421	451,626
TMPM After School Care	-	-	220,317	252,087	220,317	252,087	(31,770)
Capital Outlay – non-cap.	14,833	-	-	-	14,833	-	14,833
Contracted Instruct. Services	1,231,715	945,874	-	-	1,231,715	945,874	285,841
Payments to Juvenile Justice	40,555	33,746	-	-	40,555	-	40,555
Other Intergovernmental	435,302	409,542	-	-	435,302	409,542	25,760
Total Expenses	39,807,369	51,003,568	220,317	252,087	40,027,686	51,221,909	(11,234,778)
Transfers							
Increase (Dec.) in Net Position	4,433,651	(2,361,858)	57,997	3,431	4,491,648	(2,358,427)	6,850,075
Net Position Beginning	22,781,753	25,143,611	134,043	130,612	22,915,796	25,274,223	(2,358,427)
Prior Period Adjustment	(20,258,497)	-	-	-	(20,258,497)	-	(20,258,497)
Net Position Ending	\$ 6,956,907	\$ 22,781,753	\$ 192,040	\$ 134,043	\$ 7,148,947	\$ 22,915,796	\$ (15,766,849)

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what state revenues as well as local tax dollars funded.

- The cost of all *governmental* activities this year was \$39,807,369. (Exhibit B-1)
- However, the amount that our taxpayers paid for these activities through property taxes was \$35,796,711. (Exhibit B-1)
- Some of the cost was paid by those who directly benefited from the programs \$672,695, or by grants and contributions \$(1,785,724). (Exhibit B-1)

Table A-3
Net Cost of Selected District Functions

	Total Cost of		%	Net Cost of		%
	Services		Change	Services		Change
	2018	2017		2018	2017	
Instruction	\$ 16,993,220	\$ 23,341,257	-27.20%	\$ (19,799,661)	\$ (21,356,901)	-7.29%
School Leadership	1,515,994	2,072,644	-26.86%	(1,922,953)	(1,973,961)	-2.58%
Plant maintenance & Operations	5,326,262	8,672,067	-38.58%	(5,895,722)	(8,485,350)	-30.52%
Debt Service-Interest & Fiscal Charges	3,425,047	2,973,421	15.19%	(3,425,047)	(2,973,421)	15.19%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from general governmental fund types (Exhibit C-3) totaled \$49,266,767 83.05% of these revenues are derived from local property taxes and other intermediate sources. Other sources include interest income, food service sales, athletic game receipts and Chapter 313 agreement payments.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget. Even with these adjustments, actual expenditures were \$905,793 below final budget amounts as planned. The budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved related to special projects that were funded by designated fund balances from the previous fiscal year. The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$8,386,875 differs from the General Fund's budgetary fund balance of \$7,527,258 reported in the budgetary comparison schedule (Exhibit G-1). This is due to property tax collections and state revenues being less than expected and budgeted expenditures planned for the year not being fully expended as of August 31, 2018.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had invested a net \$84,576,602 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4). This amount represents a net decrease (including additions and deductions) of \$3,763,968 over last year.

Table A-4 Tuloso-Midway Independent School District's Capital Assets			Total
	Governmental Activities		Percentage Change
	2018	2017	2018-2017
Land	\$ 995,733	\$ 995,733	0.0%
Construction in Progress	-	1,905,908	-100.0%
Buildings and improvements	123,048,050	121,126,698	1.6%
Furniture & Equipment	5,645,829	5,495,983	2.7%
Vehicles	3,352,177	3,032,515	10.5%
Capital Leases	246,357	246,357	0.0%
Total at historical cost	133,288,146	132,803,194	0.4%
Total accumulated	(48,711,545)	(44,462,625)	9.6%
Net capital assets	<u>\$ 84,576,601</u>	<u>\$ 88,340,569</u>	<u>-4.3%</u>

Detailed information about the District's capital assets is presented in the Notes to the financial statements.

Long-term Debt

At year-end, the District had \$87,840,667 in long term debt as shown in Table A-5. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

**Table A-5
Tuloso-Midway Independent School District's Long Term Debt**

	Governmental Activities		Total Percentage Change
	2018	2017 - restated	2018-2017
Leases Payable	\$ -	\$ 41,231	-100.00%
Bonds Payable	59,050,000	63,064,000	-6.36%
Maintenance Tax Note	7,311,807	7,965,031	-8.20%
Premium	4,066,676	3,213,241	26.56%
Leave Liability	115,486	112,831	2.35%
Net Pension Liability	5,741,626	6,983,539	-17.78%
Net OPEB liability	11,555,072	20,399,896	-43.36%
Total bonds & leases	<u>\$ 87,840,667</u>	<u>\$ 101,779,769</u>	<u>-13.70%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- In 2004, a Travis County District Court Judge declared part of the current public school finance system unconstitutional. The Texas Supreme Court stated that school districts must be able to set a property tax rate that brings them money to supplement an otherwise adequate education. The 79th Texas Legislature approved House Bill 1, which dramatically changed school funding for fiscal year 2006-07 and beyond.
- State formulas for funding of school districts were adjusted to only maximum funding at the 2005-06 per Weighted Average Daily Attendance (WADA) level. When local tax revenue increases due to increased tax base, state funding will decrease to meet the 2005-06 per WADA. Increases in funding revenue can only be experienced by:
 - WADA increases (increased enrollment or higher student attendance rates) and
 - Tax increases (which require voter approval)
- An additional total \$.04 tax rate over the compressed rate is available without voter approval (known as the golden pennies). The Tuloso-Midway Board of Trustee opted to begin assessing the additional \$.04 tax rate in the 2006-07 year.

- Tuloso-Midway ISD held a tax ratification election (TRE) on September 11, 2010 requesting the maximum M&O tax increase of \$0.13 allowed by the State. The issue was approved by 110 votes for and 7 votes against. The measure involved a tax rate swap between the M&O and I&S funds of the \$.13. The overall tax rate remained \$1.3322. This M&O tax increase provided an additional \$2.1 million in equalized state revenue for 2010-2011 and 2011-2012.
- Certified tax values for the October 2017 tax levy increased \$120.6 million or 4.7% for M&O purposes and \$475.4 million or 17.7% for I&S purposes over the prior year. These are primarily due to increases in industrial values in the District.
- The District experienced an October 2017 snapshot enrollment increase of 38 students (3,850 to 3,888). Average Daily Attendance (ADA) increased 27.348 (3,607.884 to 3,635.232) for 0.76% growth. October 2018 snapshot enrollment is 3,941 (53 enrollment increase).
- General Fund spending per student (October AEIS snapshot enrollment) increased from \$9,326 to \$9,901 from 2016-2017 to 2017-2018.
- Due to continued rising property values the District paid Chapter 41 recapture amounts of \$300,522 (2015-2016), \$936,592 (2016-2017) and \$1,243,815 (2017-2018).

As state above the 2017-18 property values have increased \$120.6 million (4.7% increase) for M&O values and \$475.4 million (17.7% increase) for I&S values. The effective M&O tax rate was maintained at the maximum amount of \$1.17. The I&S tax rate was reduced \$0.0367 cents to \$0.2022. The total tax rate for 17-18 was decreased from \$1.4089 to \$1.3722. All employee classifications received 3% across the board raises for 2017-18. A \$1,000 one-time retention incentive was also provided in 2017-18 to all full-time employees.

The 2018-19 property values have increased \$96.1 million (3.6% increase) for M&O values and \$131.7 million (4.2% increase) for I&S values. All tax rates were unchanged from 2017-18. No permanent raises other than the teacher salary schedule step increases were implemented for 2018-19. A balanced budget was adopted for the 2018-19 fiscal year.

During the fall of 2011 a major Italian manufacturing corporation (M&G Resins) announced plans to build two facilities within the District with the potential property value of \$700-900 million. M&G Resins was granted a property tax value reduction under Section 313 of Texas law. The district is allowed a minimum tax value of \$30 million with any tax value in excess of this being abated for a period of eight years. Section 313 agreements only reduce M&O tax value however state law allows the District to be held harmless from any reduction in state funding that may result from decreased values. Section 313 agreements have no effect upon I&S taxable values.

In October 2017 M&G Resins declared bankruptcy when the facility was approximately 85% completed and immediately placed the property up for sale. The bankruptcy court has approved a bid of \$1.2 billion for the facility from a newly formed entity – Corpus Christi Polymers LLC. See the notes on subsequent events.

As a result of the major industrial facilities in the District it is projected the District will continue to have Chapter 41 recapture payments in excess of State revenues. In previous years the District was able to offset any recapture costs against this State funding. Chapter 41 law requires that District's voters approve a method of equalizing it's wealth in this situation. On November 4th, 2015 the District's voters approved authorizing the Board of Trustees to purchase attendance credits from the state with local tax revenues (aka – make recapture payments).

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Tulo-so-Midway Independent School District Business Office, P.O. Box 10900, Corpus Christi, Texas 78461, or call (361) 903-6400.

BASIC FINANCIAL STATEMENTS

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TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT A-1

		1	2	3
		Primary Government		
Data				
Control			Business	
Codes		Governmental	Type	
		Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 6,824,843	\$ 200,925	\$ 7,025,768
1220	Property Taxes - Delinquent	3,936,163	-	3,936,163
1230	Allowance for Uncollectible Taxes	(1,727,600)	-	(1,727,600)
1240	Due from Other Governments	1,626,178	-	1,626,178
1290	Other Receivables, Net	4,067,513	-	4,067,513
1300	Inventories	72,736	-	72,736
1410	Prepayments	461,893	-	461,893
	Capital Assets:			
1510	Land	995,733	-	995,733
1520	Buildings, Net	81,560,709	-	81,560,709
1530	Furniture and Equipment, Net	1,948,488	-	1,948,488
1550	Leased Property Under Capital Leases, Net	71,672	-	71,672
1000	Total Assets	99,838,328	200,925	100,039,253
DEFERRED OUTFLOWS OF RESOURCES				
1703	Deferred Resource Outflow #3	198,000	-	198,000
1705	Deferred Outflow Related to TRS Pension	2,370,037	-	2,370,037
1700	Total Deferred Outflows of Resources	2,568,037	-	2,568,037
LIABILITIES				
2110	Accounts Payable	593,935	-	593,935
2140	Interest Payable	136,586	-	136,586
2150	Payroll Deductions and Withholdings	3,934	-	3,934
2160	Accrued Wages Payable	195,955	8,885	204,840
2180	Due to Other Governments	697,040	-	697,040
2190	Due to Student Groups	15,002	-	15,002
2300	Unearned Revenue	96,091	-	96,091
	Noncurrent Liabilities			
2501	Due Within One Year	4,954,200	-	4,954,200
2502	Due in More Than One Year	65,589,769	-	65,589,769
2540	Net Pension Liability (District's Share)	5,741,626	-	5,741,626
2545	Net OPEB Liability (District's Share)	11,555,072	-	11,555,072
2000	Total Liabilities	89,579,210	8,885	89,588,095
DEFERRED INFLOWS OF RESOURCES				
2603	Deferred Resource Inflow #3	4,833,508	-	4,833,508
2605	Deferred Resource Inflow Related to TRS Pension	1,036,740	-	1,036,740
2600	Total Deferred Inflows of Resources	5,870,248	-	5,870,248
NET POSITION				
3200	Net Investment in Capital Assets	14,224,962	-	14,224,962
	Restricted:			
3820	Restricted for Federal and State Programs	535,915	-	535,915
3850	Restricted for Debt Service	258,007	-	258,007
3860	Restricted for Capital Projects	990,090	-	990,090
3890	Restricted for Other Purposes	1,171,216	-	1,171,216
3900	Unrestricted	(10,223,283)	192,040	(10,031,243)
3000	Total Net Position	\$ 6,956,907	\$ 192,040	\$ 7,148,947

The notes to the financial statements are an integral part of this statement.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 16,993,220	\$ -	\$ (2,806,441)
12 Instructional Resources and Media Services	333,690	-	(88,669)
13 Curriculum and Staff Development	172,769	-	116,463
21 Instructional Leadership	453,800	-	(86,625)
23 School Leadership	1,515,994	-	(406,959)
31 Guidance, Counseling and Evaluation Services	1,138,681	-	(74,059)
32 Social Work Services	18,762	-	-
33 Health Services	280,421	-	(90,952)
34 Student (Pupil) Transportation	1,164,495	-	(215,034)
35 Food Services	2,387,436	526,458	2,095,387
36 Extracurricular Activities	2,519,278	139,762	718,616
41 General Administration	1,553,204	-	(242,756)
51 Facilities Maintenance and Operations	5,326,262	6,475	(575,935)
52 Security and Monitoring Services	324,809	-	(24,197)
53 Data Processing Services	561,767	-	(117,023)
61 Community Services	(84,671)	-	12,460
72 Debt Service - Interest on Long Term Debt	3,257,191	-	-
73 Debt Service - Bond Issuance Cost and Fees	167,856	-	-
81 Capital Outlay	14,833	-	-
91 Contracted Instructional Services Between Schools	1,231,715	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	40,555	-	-
99 Other Intergovernmental Charges	435,302	-	-
[TG] Total Governmental Activities:	39,807,369	672,695	(1,785,724)
BUSINESS-TYPE ACTIVITIES:			
01 Enterprise Funds - Locally Defined	220,317	278,314	-
[TB] Total Business-Type Activities:	220,317	278,314	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 40,027,686	\$ 951,009	\$ (1,785,724)
Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		
DT	Property Taxes, Levied for Debt Service		
SF	Chapter 313		
GC	Grants and Contributions not Restricted		
IE	Investment Earnings		
TR	Total General Revenues		
CN	Change in Net Position		
NB	Net Position - Beginning		
PA	Prior Period Adjustment		
NE	Net Position--Ending		

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (19,799,661)	\$ -	\$ (19,799,661)
(422,359)	-	(422,359)
(56,306)	-	(56,306)
(540,425)	-	(540,425)
(1,922,953)	-	(1,922,953)
(1,212,740)	-	(1,212,740)
(18,762)	-	(18,762)
(371,373)	-	(371,373)
(1,379,529)	-	(1,379,529)
234,409	-	234,409
(1,660,900)	-	(1,660,900)
(1,795,960)	-	(1,795,960)
(5,895,722)	-	(5,895,722)
(349,006)	-	(349,006)
(678,790)	-	(678,790)
97,131	-	97,131
(3,257,191)	-	(3,257,191)
(167,856)	-	(167,856)
(14,833)	-	(14,833)
(1,231,715)	-	(1,231,715)
(40,555)	-	(40,555)
(435,302)	-	(435,302)
(40,920,398)	-	(40,920,398)
-	57,997	57,997
-	57,997	57,997
(40,920,398)	57,997	(40,862,401)
29,711,645	-	29,711,645
6,085,066	-	6,085,066
4,051,242	-	4,051,242
5,244,430	-	5,244,430
261,666	-	261,666
45,354,049	-	45,354,049
4,433,651	57,997	4,491,648
22,781,753	134,043	22,915,796
(20,258,497)	-	(20,258,497)
\$ 6,956,907	\$ 192,040	\$ 7,148,947

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	Food Service Fund	Debt Service Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 3,575,160	\$ 481,495	\$ 252,296
1220 Property Taxes - Delinquent	2,523,616	-	1,412,547
1230 Allowance for Uncollectible Taxes (Credit)	(1,463,641)	-	(263,959)
1240 Receivables from Other Governments	1,011,361	322,509	5,710
1260 Due from Other Funds	360,334	-	-
1290 Other Receivables	4,058,216	9,297	-
1300 Inventories	51,024	21,712	-
1410 Prepayments	461,893	-	-
1000 Total Assets	<u>\$ 10,577,963</u>	<u>\$ 835,013</u>	<u>\$ 1,406,594</u>
LIABILITIES			
2110 Accounts Payable	\$ 159,518	\$ 240,672	\$ -
2150 Payroll Deductions and Withholdings Payable	3,934	-	-
2160 Accrued Wages Payable	195,722	-	-
2170 Due to Other Funds	75,081	-	-
2180 Due to Other Governments	694,345	-	-
2190 Due to Student Groups	-	15,002	-
2300 Unearned Revenues	2,513	21,712	-
2000 Total Liabilities	<u>1,131,113</u>	<u>277,386</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,059,975	-	1,148,587
2600 Total Deferred Inflows of Resources	<u>1,059,975</u>	<u>-</u>	<u>1,148,587</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	51,024	21,712	-
3430 Prepaid Items	461,893	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	535,915	-
3480 Retirement of Long-Term Debt	-	-	258,007
Committed Fund Balance:			
3510 Construction	-	-	-
Assigned Fund Balance:			
3570 Capital Expenditures for Equipment	105,774	-	-
3590 Other Assigned Fund Balance	2,448	-	-
3600 Unassigned Fund Balance	7,765,736	-	-
3000 Total Fund Balances	<u>8,386,875</u>	<u>557,627</u>	<u>258,007</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 10,577,963</u>	<u>\$ 835,013</u>	<u>\$ 1,406,594</u>

The notes to the financial statements are an integral part of this statement.

Other Funds		Total Governmental Funds	
\$	1,756,695	\$	6,065,646
	-		3,936,163
	-		(1,727,600)
	286,598		1,626,178
	-		360,334
	-		4,067,513
	-		72,736
	-		461,893
<u>\$</u>	<u>2,043,293</u>	<u>\$</u>	<u>14,862,863</u>
\$	92,334	\$	492,524
	-		3,934
	233		195,955
	285,253		360,334
	2,695		697,040
	-		15,002
	71,866		96,091
	<u>452,381</u>		<u>1,860,880</u>
	-		2,208,562
	-		2,208,562
	-		72,736
	-		461,893
	-		535,915
	-		258,007
	996,408		996,408
	-		105,774
	594,504		596,952
	-		7,765,736
	<u>1,590,912</u>		<u>10,793,421</u>
<u>\$</u>	<u>2,043,293</u>	<u>\$</u>	<u>14,862,863</u>

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TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 10,793,421
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	657,786
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$129,901,555 and the accumulated depreciation was (\$44,462,626). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position. Note: Beginning Balances related to TRS are NOT included in this amount.	13,944,236
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays and debt principal payments is to decrease net position.	4,562,485
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$2,370,037. A deferred resource inflow in the amount of \$1,036,740, and a net pension liability in the amount of \$5,741,626. This resulted in an increase (decrease) in net position.	(4,408,329)
Included in the items related to debt is the recognition of the District's Proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$198,000, a deferred resource inflow in the amount of \$4,833,508, and a net OPEB liability in the amount of \$11,555,072 . This resulted in an increase (decrease) in net position.	(16,190,580)
The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(4,474,088)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	2,071,976
Net Position of Governmental Activities	<u><u>\$ 6,956,907</u></u>

The notes to the financial statements are an integral part of this statement.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		10 General Fund	Food Service Fund	Debt Service Fund
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 33,942,812	\$ 528,798	\$ 5,140,832
5800	State Program Revenues	4,239,109	9,563	66,056
5900	Federal Program Revenues	588,787	2,019,562	-
5020	Total Revenues	38,770,708	2,557,923	5,206,888
EXPENDITURES:				
Current:				
0011	Instruction	20,586,626	-	-
0012	Instructional Resources and Media Services	408,018	-	-
0013	Curriculum and Instructional Staff Development	72,441	-	-
0021	Instructional Leadership	484,752	-	-
0023	School Leadership	1,940,439	-	-
0031	Guidance, Counseling and Evaluation Services	1,211,258	-	-
0032	Social Work Services	1,000	-	-
0033	Health Services	384,920	-	-
0034	Student (Pupil) Transportation	1,215,272	-	-
0035	Food Services	-	2,095,387	-
0036	Extracurricular Activities	1,643,524	-	-
0041	General Administration	1,653,240	-	-
0051	Facilities Maintenance and Operations	5,147,655	43,713	-
0052	Security and Monitoring Services	314,017	-	-
0053	Data Processing Services	559,800	-	-
0061	Community Services	131	-	-
Debt Service:				
0071	Principal on Long Term Debt	694,455	-	4,004,000
0072	Interest on Long Term Debt	285,595	-	2,152,602
0073	Bond Issuance Cost and Fees	400	-	167,456
Capital Outlay:				
0081	Facilities Acquisition and Construction	185,423	-	-
Intergovernmental:				
0091	Contracted Instructional Services Between Schools	1,231,715	-	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	40,555	-	-
0099	Other Intergovernmental Charges	435,302	-	-
6030	Total Expenditures	38,496,538	2,139,100	6,324,058
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	274,170	418,823	(1,117,170)
OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	13,686	-	-
7914	Non-Current Loans	-	-	8,220,000
7916	Premium or Discount on Issuance of Bonds	-	-	1,120,098
7917	Prepaid Interest	-	-	(946,416)
8949	Other (Uses)	-	-	(8,230,000)
7080	Total Other Financing Sources (Uses)	13,686	-	163,682
1200	Net Change in Fund Balances	287,856	418,823	(953,488)
0100	Fund Balance - September 1 (Beginning)	8,099,019	138,804	1,211,495
3000	Fund Balance - August 31 (Ending)	\$ 8,386,875	\$ 557,627	\$ 258,007

The notes to the financial statements are an integral part of this statement.

	Other Funds	Total Governmental Funds
\$	1,303,758	\$ 40,916,200
	99,483	4,414,211
	1,328,007	3,936,356
	2,731,248	49,266,767
	1,162,382	21,749,008
	-	408,018
	118,035	190,476
	15,220	499,972
	10,851	1,951,290
	167,534	1,378,792
	-	1,000
	-	384,920
	-	1,215,272
	-	2,095,387
	916,782	2,560,306
	-	1,653,240
	974,006	6,165,374
	27,993	342,010
	67,466	627,266
	12,460	12,591
	-	4,698,455
	-	2,438,197
	-	167,856
	12,093	197,516
	-	1,231,715
	-	40,555
	-	435,302
	3,484,822	50,444,518
	(753,574)	(1,177,751)
	-	13,686
	-	8,220,000
	-	1,120,098
	-	(946,416)
	-	(8,230,000)
	-	177,368
	(753,574)	(1,000,383)
	2,344,486	11,793,804
\$	1,590,912	\$ 10,793,421

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TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (1,000,383)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	72,470
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays and debt principal payments is to decrease net position.	4,562,485
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(4,474,088)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	1,473,572
GASB 68 required that certain plan expenditures be de-expended and recorded as a deferred resource outflows. These contribution made after the measurement date of the plan caused the change in ending net position to increase \$629,986. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position total \$ 588,046. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$310,262. The net result is an increase (decrease) in the change in net position.	(268,322)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$ 196,192. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position total \$141,399. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$(4,013,124) . The net result is an increase (decrease) in the change in net position.	4,067,917
Change in Net Position of Governmental Activities	\$ 4,433,651

The notes to the financial statements are an integral part of this statement.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2018

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 200,925	\$ 759,197
Total Assets	200,925	759,197
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	101,412
Accrued Wages Payable	8,885	-
Total Liabilities	8,885	101,412
NET POSITION		
Unrestricted Net Position	192,040	657,785
Total Net Position	\$ 192,040	\$ 657,785

The notes to the financial statements are an integral part of this statement.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 278,314	\$ 267,280
Total Operating Revenues	<u>278,314</u>	<u>267,280</u>
OPERATING EXPENSES:		
Payroll Costs	202,506	-
Professional and Contracted Services	71	54,408
Supplies and Materials	10,903	-
Other Operating Costs	3,944	140,403
Capital Outlay	<u>2,893</u>	<u>-</u>
Total Operating Expenses	<u>220,317</u>	<u>194,811</u>
Operating Income	57,997	72,469
Total Net Position -September 1 (Beginning)	<u>134,043</u>	<u>585,316</u>
Total Net Position -August 31 (Ending)	<u><u>\$ 192,040</u></u>	<u><u>\$ 657,785</u></u>

The notes to the financial statements are an integral part of this statement.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 278,314	\$ 267,280
Cash Payments for Insurance Claims	(214,944)	(189,127)
Net Cash Provided by Operating Activities	63,370	78,153
Net Increase in Cash and Cash Equivalents	63,370	78,151
Cash and Cash Equivalents at Beginning of Year	137,555	681,046
Cash and Cash Equivalents at End of Year	\$ 200,925	\$ 759,197
<u>Reconciliation of Operating Income to Net Cash</u>		
<u>Provided by Operating Activities:</u>		
Operating Income:	\$ 57,997	\$ 72,469
Effect of Increases and Decreases in Current Assets and Liabilities:		
Increase (decrease) in Accounts Payable	5,373	5,682
Net Cash Provided by Operating Activities	\$ 63,370	\$ 78,151

The notes to the financial statements are an integral part of this statement.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2018

EXHIBIT E-1

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 120,765
Total Assets	<u>\$ 120,765</u>
LIABILITIES	
Accounts Payable	\$ 1,251
Due to Student Groups	<u>119,514</u>
Total Liabilities	<u>\$ 120,765</u>

The notes to the financial statements are an integral part of this statement.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
AUGUST 31, 2018

	BALANCE SEPTEMBER 1 2017	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2018
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 107,579	\$ 160,450	\$ 147,264	\$ 120,765
Liabilities:				
Accounts Payable	\$ 350	\$ 901	\$ -	\$ 1,251
Due to Student Groups	107,229	13,000	715	119,514
Total Liabilities	\$ 107,579	\$ 13,901	\$ 715	\$ 120,765
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 107,579	\$ 160,450	\$ 147,264	\$ 120,765
Liabilities:				
Accounts Payable	\$ 350	\$ 901	\$ -	\$ 1,251
Due to Student Groups	107,229	13,000	715	119,514
Total Liabilities	\$ 107,579	\$ 13,901	\$ 715	\$ 120,765

NOTES TO FINANCIAL STATEMENTS

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

I. A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Tulo-Midway Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its general purpose financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 76* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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

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

As of August 31, 2018, Tulo-Midway Independent School District applies Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District's investments are accounted for using the cost amortization method.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Tulo-Midway Independent School District non-fiduciary activities with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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

Inter-fund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All inter-fund transactions between governmental funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund: The District accumulates funds from the assessing of taxes to meet the debt service requirements of the district.

Capital Projects Fund: The District's bond proceeds are deposited in the Capital Projects Fund. The proceeds are used to fund the capital projects of the District.

The District reports the following major enterprise funds:

Enterprise Fund: These funds are used to account for revenues and expenses of the after school care "program" provided by the District - TMPM.

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses). The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

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

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is District's policy to use restricted resources first, then unrestricted resources.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen to apply future FASB standards.

B. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. Upon separation of employment from the District, the District pays any accrued sick leave and vacation leave in a lump sum payment.
5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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

6. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
7. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
8. District's Non-spendable, Restricted, Committed and/or Assigned Fund Balances in the fund financial statements. In the fund financial statements, governmental funds report fund balance as non-spendable if the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. Restrictions of fund balance are for amounts that are restricted to specific purposes by an external entity (creditors, grantors, governmental regulations) or the restriction is imposed by law through constitutional provision or enabling legislation. Commitments of fund balance represent amounts that can only be used for specific purposes pursuant to constraints imposed by the District's Board. Assignments of fund balance are amounts set aside by the District's Superintendent or his designee with the intent they be used for specific purposes.
9. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.
10. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred *outflows* of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Items reported as deferred outflows of resources are as follows:

Deferred charges related to TRS retirement	\$ 2,370,037
Deferred charges related to TRS OPEB	\$ 198,000

11. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred *inflows* of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. Items reported as deferred inflows of resources are as follows:

Deferred charges related to TRS retirement	\$ 1,036,740
Deferred charges related to TRS OPEB	\$ 4,833,508

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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets at the Beginning of the year	Historic Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Change in Net Position
Land	\$ 995,733	\$ -	\$ 995,733	
Buildings	121,126,700	37,518,591	83,608,109	
Furniture & Equipment	5,495,983	4,965,872	530,111	
Vehicles	3,032,515	1,825,851	1,206,664	
Capital Leases	246,356	152,312	94,044	
Construction in Progress	1,905,908	-	1,905,908	
Change in Net Position	\$ 132,803,195	\$ 44,462,626		\$ 88,340,569
Long-term Liabilities at the Beginning of the year				
Bonds and Loans Payable	\$ 71,183,092			
Accreted/Deferred Amts	3,213,241			
Change in Net Position				\$ 74,396,333
Net Adjustment to Net Position				\$ 13,944,236

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

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

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	<u>Beginning</u>	<u>Ending</u>	<u>Adjustments to Net Position</u>
Current Year Capital Outlay			
Buildings & Improvements	121,126,700	123,048,051	1,921,351
Equipment/Vehicles	8,528,498	8,998,006	469,508
Construction in Process	1,905,908	-	(1,905,908)
Accumulated Depreciation	-	-	225,169
Total Capital Outlay	<u>\$ 131,561,106</u>	<u>\$ 132,046,057</u>	<u>\$ 710,120</u>
Debt Principal Payments			
Bond Principal	63,064,000	59,050,000	4,014,000
Maint Note Principal	7,965,032	7,311,807	653,225
Capital Lease Payments	41,230	-	41,230
Other	3,326,072	4,182,162	(856,090)
Total Principal Payments	<u>74,396,334</u>	<u>70,543,969</u>	<u>3,852,365</u>
Total Adjustment to Net Position			<u>\$ 4,562,485</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. The details for this element are as follows:

	<u>Adjustments to Net Position</u>
Delinquent Property Taxes	3,936,163
Allowance for Uncollectible Taxes	<u>(1,727,600)</u>
Uncollected taxes assumed collectible from current and prior levies	2,208,563
Recognition of accrued interest expense payable	<u>(136,586)</u>
Total	<u>2,071,977</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund, which is included within the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-4 and J-5.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

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3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. There were no significant budget amendments passed during the 2017-2018 school year.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.

B. Excess of Expenditures over Appropriations

None

C. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as the prior January 1 for all the real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectable personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

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	General Fund	Debt Service Fund	Total
Delinquent Taxes Receivable	\$ 2,523,616	\$ 1,412,547	\$ 3,936,163
Allowance for Uncollectable Taxes	(1,463,641)	(263,959)	(1,727,600)
Net Delinquent Taxes Receivable	<u>\$ 1,059,975</u>	<u>\$ 1,148,588</u>	<u>\$ 2,208,563</u>

c. Inventories and Prepaid Items

The District records purchase of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building and Improvements	15-50
Vehicles	7-15
Office Equipment	8

e. Receivable and Payable Balances:

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Compensated Absences

Upon separation from the employment with the District under certain conditions and employee may be eligible for reimbursement of unused local leave. The conditions are as follows: 1) voluntary separation from employment, i.e. retirement or resignation; 2) two week written notice is received by employer, and; 3) employee has at least 15 years of services with the District. The reimbursement is made in a lump sum one month after separation of service at the rate of \$100 per day for professional employees and \$50 per day for auxiliary/paraprofessional employees. The maximum number of days paid is 30.

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g. Inter-fund Activity

Inter-fund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, inter-fund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

D. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None Reported	Not applicable	Not applicable

E. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits, for safekeeping and trust with the District's agent bank, approved pledge securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

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1. Cash Deposits:

At August 31, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$477,805 and the bank/investment balance was \$718,813. The District's cash deposits were secured entirely covered by FDIC Insurance and securities during the fiscal year.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Prosperity Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$9,778,036.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$3,899,165 and occurred during the month of November 2017.
- d. Total amount of FDIC coverage at the time of the end of the fiscal year was \$250,000 per account.

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The district complies with this law and it has no custodial credit risk for deposits.

2. Investments:

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes that it has complied with the requirements of the PFIA and the District's investment policies.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit

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rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, 2018, the District had \$6,658,507 in investment pools that are included in cash and cash equivalents and are carried at amortized cost.

Interlocal Governmental Investment Pools

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

All investment pools utilized by the district meet the requirements of the Texas Public Funds Investment Act.

Standard & Poor's Global Ratings for current District investment pools:

First Public – Lone Star Government Overnight - AAA
First Public – Lone Star Corporate Overnight Plus – AAA
Local Government Investment Cooperative (LOGIC) – AAA
TexPool – AAAm
Texas CLASS – AAAm

Additional policies and contractual provisions governing investments for the District are specified below:

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Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District's investment policy limits investments to those authorized by the Public Funds Investment Act. The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor's or Moody's Investor Service. As of August 31, 2017 the District's investments consisted of only investment pools.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District limits the maximum maturity of investments to 1 year from the date of purchase unless specifically authorized by the Board. The District has no investments with maturities greater than 1 year.

See the table below for the breakdown of cash and cash equivalents as of August 31, 2018:

	Cash in Bank	Petty Cash/ Change Funds	Investment Pools	Total
Governmental	\$ (140,002)	\$ 10,220	\$ 6,195,429	\$ 6,065,647
Internal Service	296,119	-	463,078	759,197
Adjusted Governmental	\$ 156,117	\$ 10,220	\$ 6,658,507	\$ 6,824,844
Business Activity	200,923	-	-	200,923
Total Government-Wide	\$ 357,040	\$ 10,220	\$ 6,658,507	\$ 7,025,767
Agency Fund	120,765	-	-	120,765
Grand Total	\$ 477,805	\$ 10,220	\$ 6,658,507	\$ 7,146,532

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
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F. Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 995,733	\$ -	\$ -	\$ 995,733
Construction in Progress	1,905,908	-	1,905,908	-
Total Capital assets not being depreciated	<u>2,901,641</u>	<u>-</u>	<u>1,905,908</u>	<u>995,733</u>
<i>Capital Asset being depreciated:</i>				
Buildings and improvements	121,126,700	2,020,636	99,285	123,048,051
Equipment	5,495,983	275,730	125,884	5,645,829
Vehicles	3,032,515	319,662	-	3,352,177
Capital Leases	246,357	-	-	246,357
Total capital assets being depreciated	<u>129,901,555</u>	<u>2,616,028</u>	<u>225,169</u>	<u>132,292,414</u>
Less accumulated depreciation for:				
Buildings and improvements	(37,518,592)	(4,068,035)	(99,285)	(41,487,342)
Equipment	(4,965,871)	(167,273)	(125,884)	(5,007,260)
Vehicles	(1,825,851)	(216,407)	-	(2,042,258)
Capital Leases	(152,312)	(22,373)	-	(174,685)
Total accumulated depreciation	<u>(44,462,626)</u>	<u>(4,474,088)</u>	<u>(225,169)</u>	<u>(48,711,545)</u>
Total capital assets being depreciated, net	<u>85,438,929</u>	<u>(1,858,060)</u>	<u>-</u>	<u>83,580,869</u>
Governmental activities capital assets, net	<u>\$ 88,340,570</u>	<u>\$ (1,858,060)</u>	<u>\$ 1,905,908</u>	<u>\$ 84,576,602</u>
Depreciation was charged to functions as follows:				
Instruction	\$ 2,408,615			
Instruction Resources and Media Services	55,399			
Curriculum and Staff Development	2,702			
Instructional Leadership	103,754			
School Leadership	228,157			
Guidance, Counseling, & Evaluation Services	188,413			
Social Work Services	17,762			
Health Services	28,245			
Student Transportation	232,710			
Food Services	292,049			
Extracurricular Activities	262,420			
General Administration	133,948			
Plant Maintenance and Operations	505,837			
Security and Monitoring Services	13,876			
Data Processing	10			
Community Services	191			
Total Depreciation	<u><u>\$ 4,474,088</u></u>			

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G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2018, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Major Fund	\$ 75,081	Short-term loans
General Fund	Other Governmental Funds	285,253	Short-term loans
	Total	<u>\$ 360,334</u>	

All amounts due are scheduled to be repaid within one year.

H. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

I. Disaggregation of Receivables and Payables

Receivables at August 31, 2018, were as follows:

	Property Taxes - Net	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 1,059,975	\$ 1,011,361	\$ 360,334	\$ 4,058,216	\$ 6,489,886
Major Governmental Funds	1,148,588	328,219	-	9,297	1,486,104
Non-major Governmental Funds	-	286,598	-	-	286,598
Total - Governmental Activities	<u>\$ 2,208,563</u>	<u>\$ 1,626,178</u>	<u>\$ 360,334</u>	<u>\$ 4,067,513</u>	<u>\$ 8,262,588</u>

Payables at August 31, 2018, were as follows:

	Accounts	Loans, Leases and Bonds Payable- Current Year	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Other	Total Payables
Governmental Activities:							
General Fund	\$ 159,518	\$ 4,954,200	\$ 199,656	\$ 75,081	\$ 694,345	\$ -	\$ 6,082,800
Major Gov. Fund	240,672	-	-	-	-	15,002	255,674
Non-major Gov. Funds	92,334	-	233	285,253	2,695	-	380,515
Total - Gov. Activities	<u>\$ 492,524</u>	<u>\$ 4,954,200</u>	<u>\$ 199,889</u>	<u>\$ 360,334</u>	<u>\$ 697,040</u>	<u>\$ 15,002</u>	<u>\$ 6,718,989</u>

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1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2018, are as follow:

	(Restated) Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Refunding Bonds 2017 2.0%-4.00%, (mat. 2/15/37)	\$ 7,665,000	\$ -	\$ 275,000	\$ 7,390,000	\$ 280,000
Building Bonds Series 2017A, mat. 3.00%-4.00%, (mat.8/31/2039)	-	8,220,000	150,000	8,070,000	25,000
Building Bonds Series 2008 4.00%-5.00%, (mat. 8/15/18)	320,000	-	320,000	-	-
Building Bonds Series 2009 3.00%-5.00%, (mat. 8/15/39)	3,545,000	-	3,110,000	435,000	160,000
Building Bonds Series 2012 2.00%-3.375%, (mat. 8/15/32)	7,645,000	-	410,000	7,235,000	425,000
Building Bonds Series 2013 2.00%-5.00%, (mat. 8/15/33)	13,170,000	-	5,865,000	7,305,000	610,000
Building Bonds, Series 2014 2.00%-4.00%, (mat. 8/15/34)	8,600,000	-	240,000	8,360,000	420,000
Ref.Bds 2014,2-4.00%, mat.2/15/26	5,855,000	-	1,090,000	4,765,000	1,120,000
Refunding Bonds Series 2015 1.92%, (mat. 2/15/27)	5,175,000	-	590,000	4,585,000	605,000
Refunding Bonds 2016 2.96% (mat. 8/15/38)	10,920,000	-	15,000	10,905,000	350,000
Bldg.Bds, Series 2015,2-4%,2/15/18	169,000	-	169,000	-	-
Capital leases	41,230	-	41,230	-	-
Maint.Tax Note 4.38%,mat. 11/13/22	1,254,032	-	187,225	1,066,807	195,440
Maint.Tax Note, 2.31%, mat. 2/15/25	1,616,000	-	186,000	1,430,000	189,000
Maint.Tax Note, 3.-5.00%,mat.8/15/31	5,095,000	-	280,000	4,815,000	285,000
Bond Premium	3,213,241	1,120,098	266,663	4,066,676	266,663
Compensated absences	112,831	2,655	-	115,486	23,097
Sub-total governmental activities	<u>\$ 74,396,334</u>	<u>\$ 9,342,753</u>	<u>\$ 13,195,118</u>	<u>\$ 70,543,969</u>	<u>\$ 4,954,200</u>
Net Pension Liability	\$ 6,983,539	(653,393)	588,520	5,741,626	-
Net OPEB liability	20,399,896	(8,706,677)	138,147	11,555,072	-
Total governmental activities	<u>\$ 101,779,769</u>	<u>\$ (17,317)</u>	<u>\$ 13,921,785</u>	<u>\$ 87,840,667</u>	<u>\$ 4,954,200</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General

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2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2018, are as follows:

Governmental Activities			
Year Ending August 31,	Principal	Interest	Total
2019	3,995,000	2,139,794	6,134,794
2020	4,125,000	2,011,969	6,136,969
2021	3,380,000	1,892,118	5,272,118
2022	3,495,000	1,773,831	5,268,831
2023	3,615,000	1,650,231	5,265,231
Thereafter	40,440,000	10,389,744	50,829,744
Totals	<u>\$ 59,050,000</u>	<u>\$ 19,857,687</u>	<u>\$ 78,907,687</u>

Governmental Activities - Notes			
Year Ending August 31,	Principal	Interest	Total
2019	669,440	263,412	932,852
2020	691,016	241,885	932,901
2021	716,969	216,617	933,586
2022	748,313	190,394	938,707
2023	775,068	159,857	934,925
Thereafter	3,711,000	516,591	4,227,591
Totals	<u>\$ 7,311,806</u>	<u>\$ 1,588,756</u>	<u>\$ 8,900,562</u>

3. Advance Refunding of Debt

On December 21, 2017, the District issued Unlimited Tax Refunding Bonds, Series 2017A totaling \$8,220,000 with an interest rate of 2.75% to advance refund portions of Unlimited Tax Refunding Bonds, Series 2009 and 2013. The net proceeds of \$9,176,416 (after payment of \$162,739 in issuance costs) were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, \$2,950,000 of Unlimited School Building and Refunding Tax Bonds, Series 2009 and \$5,280,000 of Unlimited School Building Tax Bonds, Series 2013 are considered to be defeased and the liability for those bonds have been removed from long-term debt. The District advance refunded the Unlimited Tax Refunding Bonds, Series 2017A to reduce its total debt service payments over 22 years by \$1,274,429 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,003,472.

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4. **Capital Leases**

The district does not have any outstanding capital leases as of August 31, 2018.

5. **Due From State/Federal/Other Agencies**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2018, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

Fund	State Entitlements	Federal Grants	Other	Total
General Fund	\$ 1,011,361	\$ -	\$ 4,058,216	\$ 5,069,577
Debt Service	5,710			5,710
Special Revenue	609,107		9,297	618,404
Total	<u>\$ 1,626,178</u>	<u>\$ -</u>	<u>\$ 4,067,513</u>	<u>\$ 5,693,691</u>

J. Risk Management

This District is exposed to various risk of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

K. Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 179,336,534,819
Less: Plan Fiduciary Net Position	<u>(147,361,922,120)</u>
Net Pension Liability	<u>\$ 31,974,612,699</u>
Net Position as percentage of Total Pension Liability	-82.17%

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The 84th Texas Legislature General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

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Contribution Rates		
	2017	2018
Member	7.2%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
 Tuloso Midway ISD Employer Contributions	 \$ 588,046	 \$ 629,986
Tuloso Midway ISD Member Contributions	\$ 1,744,562	\$ 1,830,659
Tuloso Midway ISD 2016 NECE On-Behalf Contributions	\$ 1,244,624	\$ 1,267,676

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions. The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Municipal Bond Rate	N/A
Last Year Ending Aug. 31 in the 2016 to 2115 proj,	2115
Inflation	2.50%
Salary Increases*	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefits Changes during the year	None
Ad hoc post- employment benefit changes	None

* If a municipal bond rate was to be used, the rate would be 2.84% as of Aug.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
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The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha	0%	0.0%	1.0%
Total	100%		8.7%

*The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
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Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
TMISD's proportionate share of the net pension liability:	\$ 9,679,247	\$ 5,741,626	\$ 2,462,917

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, Tuloso-Midway Independent School District reported a liability of \$6,673,157 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Tuloso-Midway Independent School District. The amount recognized by Tuloso-Midway Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Tuloso-Midway Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 5,741,626
State's proportionate share that is associated with the District	12,393,506
Total	<u>\$ 18,135,132</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was .0179568271% which was an increase (decrease) of -.0005237587% from its proportion measured as of August 31, 2016.

For the year ended August 31, 2018, Tuloso-Midway Independent School District recognized pension expense of \$1,843,635 and revenue of \$945,327 for support provided by the State.

At August 31, 2018, Tuloso-Midway Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 84,003	\$ 309,638
Changes in actuarial assumptions	261,540	149,726
Difference between projected and actual investment earnings	-	418,438
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,394,508	158,938
Total as of August 31, 2016 measurement date	1,740,051	1,036,740
Contributions paid to TRS subsequent to the measurement date	629,986	-
Total	\$ 2,370,037	\$ 1,036,740

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
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The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2019	134,571
2020	501,074
2021	106,410
2022	(11,369)
2023	(1,339)
Thereafter	(26,036)

L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined benefit Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512)542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

<u>Net OPEB Liability:</u>	<u>Total</u>
Total OPEB liability	\$ 43,885,784,621
Less: Plan Fiduciary Net Position	(399,535,986)
Net OPEB liability	<u>\$ 43,486,248,635</u>
 Net Position as percentage of Total Pension Liability	 -0.91%

Benefits Provided. TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates Effective Sept. 1, 2016-December 31, 2017			
	TRS – Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS – Care 3 Optional Plan
Retiree*	0	70	100
Retiree and spouse	20	175	255
Retiree* and children	41	132	182
Retiree and family	61	237	337
Surviving children only	28	62	82

*Or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
GASB 75 OPEB contribution rates		
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
Current fiscal year employer contributions		\$ 196,192
Current fiscal year member contributions		\$ 154,539
2017 measurement year NECE on-behalf contributions		\$ 218,790

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$212.0 million in fiscal year 2018.

Actuarial Assumptions. The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

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The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate *	3.42%*
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases **	3.50% to 9.50%**
Healthcare Trend Rates ***	4.50% to 12.00% ***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

*Source: Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.

** Includes inflation at 2.50%

*** Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

Discount Rate. A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

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	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the net OPEB liability:	\$ 13,637,853	\$ 11,555,072	\$ 9,880,985

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability:	\$ 9,620,752	\$ 11,555,072	\$ 14,093,144

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, the District reported a liability of \$11,555,072 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

Discount's proportionate share of the collection net OPEB liability	\$ 11,555,072
State's proportionate share that is associated with the District	18,300,293
Total	<u>\$ 29,855,365</u>

The net OPEB liability was measured as of August 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the District's proportion of the collective net OPEB liability was 0.00114254419%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation. The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
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3. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered total OPEB liability.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annual by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis-point addition to the long term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provision or applicable law.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

For the year ended August 31, 2018, the District recognized OPEB expense of (\$9,995,490) and revenue of (\$6,123,765) for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 241,221
Changes in actuarial assumptions	-	4,592,287
Difference between projected and actual investment earnings	1,755	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	53	-
Total as of August 31, 2017 measurement date	1,808	4,833,508
Contributions paid to TRS subsequent of the measurement date	196,192	
Total as of August 31, 2018 fiscal year end	\$ 198,000	\$ 4,833,508

The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	Pension Expense Amount
2019	(637,548)
2020	(637,548)
2021	(637,548)
2022	(637,548)
2023	(637,987)
Thereafter	(1,643,521)

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
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M. HEALTH CARE COVERAGE

Retiree Health Care Plan
Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2018-2016.

Contribution Rates						
Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2018	65%	\$154,539	1.25%	\$297,185	.75%	\$178,312
2017	65%	\$147,269	1.0%	\$226,567	.55%	\$124,612
2016	65%	\$143,625	1.0%	\$221,281	.55%	\$121,706

Medicare on Behalf Payments.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. The on-behalf payments for Tuloso-Midway Independent School District for 2018, 2017, and 2016 were \$70,890, \$70,467 and, \$86,738 respectively.

N. Employee Health Care Coverage

During the year ended August 31, 2018, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

The contract between the District and the licensed insurer is renewable October 1, 2018, and terms of coverage and premium costs are included in the contractual provisions.

O. Commitments and Contingencies

1. Contingencies

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

P. Deferred Inflows of Resources:

Deferred inflows of resources at year end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 1,059,975	\$ -	\$ 1,148,587	2,208,562
Total Unearned Revenue	\$ 1,059,975	\$ -	\$ 1,148,587	\$ 2,208,562

Q. Unearned Revenues

Unearned Revenues at year end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
State & Federal Governments	\$ 2,513	\$ 93,578	\$ -	\$ 96,091
Total Unearned Revenue	\$ 2,513	\$ 93,578	\$ -	\$ 96,091

R. Tax Abatements

Tax Code Chapter 313 allows public school districts to offer businesses a limitation on property value for a portion of the property tax in exchange for investment and the creation of jobs meeting certain requirements. The District has entered into a Limited Assessed Value Agreement (commonly referred to as "Chapter 313 Agreement") with M&G Resins as an incentive for the entity to add taxable property within the district and create manufacturing jobs. Under the provisions of Chapter 313, the District offers a minimum value limitation of \$30 million on M&O tax values. When property is valued, the District forgoes collection of M&O tax revenue; however, limited tax revenue is offset by an increase in state funding through the FSP funding formula. In lieu of tax payment, the District will receive a supplemental payment of \$100 per ADA and a "hold harmless" payment to supplement the district budget. During the current fiscal year, the district did not receive any hold harmless payments from M&G Resins as the company has filed for Chapter 13 Bankruptcy. The hold harmless payment is expected to be paid to the district within the next fiscal year. A current receivable has been recorded for these amounts.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

S. Revenue From Local and Intermediate Sources

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Major Funds	Other Funds	Total
Property Taxes	\$ 29,265,784	\$ 5,072,987	\$ -	\$ 34,338,771
Penalties, Interest and Other Tax-related Income	166,328	24,467	-	190,795
Investment Income	176,112	43,378	34,225	253,715
Food Sales	-	526,458	-	526,458
Co-curricular Student Activities	139,762	-	1,024,266	1,164,028
Other	4,194,826	2,340	245,267	4,442,433
Total	<u>\$ 33,942,812</u>	<u>\$ 5,669,630</u>	<u>\$ 1,303,758</u>	<u>\$ 40,916,200</u>

T. Subsequent Events

Subsequent events have been evaluated through January 7, 2019, which is the date the financial statements were available to be issued.

In December 2017 the District was notified that the District's largest tax payer (Flint Hills Resources) had filed suit against the Nueces County Appraisal District in protest of Flint Hills Resources 2017 appraised values for their industrial facility plant seeking a value reduction of approximately \$94.7 million. On September 27, 2018 an agreed final judgment was granted to Flint Hills Resources for a reduction of this value. The District has filed an appeal with the Texas State Comptroller's Office and the Texas Education Agency to amend the District's 2017 certified property tax values for the amount of this value reduction. Preliminary estimates indicate the District's 2018-19 Chapter 41 recapture payments will be reduced approximately \$1 million when this appeal is granted.

In October 2018 Flint Hills Resources filed suit against the Nueces County Appraisal District in protest of their 2018 appraised taxable values.

On December 28, 2018 the District received the delinquent Chapter 313 Agreement payments from M&G Resins for fiscal year 2017-18 in full. On January 3, 2019 the District received all delinquent tax payments from M&G Resins including \$311,696 of accumulated penalties and interest.

U. Prior Period Adjustments

During the fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. The prior period adjustment totaled \$(20,258,497) which resulted in a restated beginning net position balance of \$2,523,256.

V. Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The classifications are as follows:

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

Non-spendable - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of inter-fund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the District can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Board of Trustees. Those committed amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Board of Trustees, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Trustees or state statute. Board of Trustees or a District official delegated that authority by the Board of Trustees.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

District Fund Balance Policy

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The District has in the past and plans to continue in the future its conservative approach to monitoring expenditures to ensure that fund balances stay strong. Good management practices contributed toward the credit rating agencies deciding to reaffirm the District's rating. Good management practices contributed toward the credit rating agencies deciding to upgrade the District's “A” rating one notch to “A+”. As Standard & Poor's stated, “[Our] stable outlook also reflects our expectation that District officials will maintain reserve levels at a strong level.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

W. Fund Balance - GASB 54 Compliance

By a majority vote in a scheduled meeting of the Board of Trustees, the Board may commit fund balances and it may modify or rescind these commitments. The Board of Trustees may also delegate authority to persons or parties to assign fund balances in specific circumstances. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows.

<u>Fund Balance Classification</u>	<u>Amount</u>
Non-spendable	
Inventories	\$ 72,736
Pre-paids	461,893
Committed	
Construction	996,408
Restricted	
Federal/State Grants	535,915
Retirement of Long Term Debt	258,007
Assigned Fund Balances	
Construction	-
Capital Expenditures for Equipment	105,774
Other Assigned Fund Balance	596,952
Undesignated/Unassigned	
Unassigned Fund Balance	7,765,736
Total Fund Balances	<u>\$ 10,793,421</u>

X. MAINTENANCE OF EFFORT

[This disclosure pertains to group health insurance, as required by HB 3343, 77th Texas Legislature (Section 1.03 which adds insurance Code Article 3.50-9 Section 2)]

For fully insured districts/entities/risk pools, enter the total amount paid by the district for employee health care premiums as reported to TEA per Note M:

a) Total District Premium paid for health care 2017-2018		<u>\$ 870,777</u>
b) Subtract any non-medical expenditures		
Life Insurance	\$ 6,624	
Long-term Disability	<u>2,113</u>	<u>8,737</u>
c) 2017-2018 Maintenance of Effort		<u>\$ 862,040</u>

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REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	\$ 35,423,864	\$ 34,117,023	\$ 33,942,812	\$ (174,211)
5800	State Program Revenues	4,016,182	4,207,747	4,239,109	31,362
5900	Federal Program Revenues	500,800	500,800	588,787	87,987
5020	Total Revenues	39,940,846	38,825,570	38,770,708	(54,862)
	EXPENDITURES:				
	Current:				
0011	Instruction	20,678,143	20,734,475	20,586,626	147,849
0012	Instructional Resources and Media Services	404,096	408,671	408,018	653
0013	Curriculum and Instructional Staff Development	112,114	107,549	72,441	35,108
0021	Instructional Leadership	574,694	516,405	484,752	31,653
0023	School Leadership	1,880,619	1,941,841	1,940,439	1,402
0031	Guidance, Counseling and Evaluation Services	1,145,579	1,251,411	1,211,258	40,153
0032	Social Work Services	1,000	1,000	1,000	-
0033	Health Services	396,423	394,814	384,920	9,894
0034	Student (Pupil) Transportation	1,324,236	1,264,228	1,215,272	48,956
0036	Extracurricular Activities	1,676,993	1,700,083	1,643,524	56,559
0041	General Administration	1,709,008	1,679,372	1,653,240	26,132
0051	Facilities Maintenance and Operations	5,701,394	5,473,761	5,147,655	326,106
0052	Security and Monitoring Services	325,881	321,299	314,017	7,282
0053	Data Processing Services	574,558	614,843	559,800	55,043
0061	Community Services	300	300	131	169
	Debt Service:				
0071	Principal on Long Term Debt	694,456	694,456	694,455	1
0072	Interest on Long Term Debt	285,597	285,597	285,595	2
0073	Bond Issuance Cost and Fees	-	400	400	-
	Capital Outlay:				
0081	Facilities Acquisition and Construction	133,981	185,424	185,423	1
	Intergovernmental:				
0091	Contracted Instructional Services Between Schools	1,866,774	1,350,000	1,231,715	118,285
0095	Payments to Juvenile Justice Alternative Ed. Prg.	34,000	41,100	40,555	545
0099	Other Intergovernmental Charges	426,000	435,302	435,302	-
6030	Total Expenditures	39,945,846	39,402,331	38,496,538	905,793
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,000)	(576,761)	274,170	850,931
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	5,000	5,000	13,686	8,686
1200	Net Change in Fund Balances	-	(571,761)	287,856	859,617
0100	Fund Balance - September 1 (Beginning)	8,099,019	8,099,019	8,099,019	-
3000	Fund Balance - August 31 (Ending)	\$ 8,099,019	\$ 7,527,258	\$ 8,386,875	\$ 859,617

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.017956827%	0.018480586%	0.0188781%	0.0106957%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 5,741,626	\$ 6,983,539	\$ 6,673,157	\$ 2,856,969
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	12,393,506	14,773,498	13,686,138	11,728,072
Total	<u>\$ 18,135,132</u>	<u>\$ 21,757,037</u>	<u>\$ 20,359,295</u>	<u>\$ 14,585,041</u>
District's Covered Payroll	\$ 22,656,661	\$ 22,128,117	\$ 20,359,295	\$ 14,585,041
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	25.34%	31.56%	32.78%	19.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only four years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 629,986	\$ 588,046	\$ 587,175	\$ 588,989
Contribution in Relation to the Contractually Required Contribution	(629,986)	(588,046)	(587,175)	(558,989)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	30,000
District's Covered Payroll	\$ 24,903,114	\$ 22,656,661	\$ 22,128,117	\$ 20,650,249
Contributions as a Percentage of Covered Payroll	2.53%	2.60%	2.65%	2.71%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Note: In accordance with GASB 68, Paragraph 138, only four years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2018

	<u>FY 2018</u> <u>Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.026571784%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 11,555,072
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) associated with the District	18,300,293
Total	<u>\$ 29,855,365</u>
District's Covered Payroll	\$ 22,656,661
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	51.00%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year for which this information is available. Additional information will be added until 10 years of data are available and reported.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	<u>2018</u>
Contractually Required Contribution	\$ 196,192
Contribution in Relation to the Contractually Required Contribution	(196,192)
Contribution Deficiency (Excess)	<u>\$ -0-</u>
District's Covered Payroll	\$ 23,774,796
Contributions as a Percentage of Covered Payroll	0.83%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year..

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018

Defined Benefit Pension Plan

Changes of benefit terms.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Other Post-Employment Benefit Plan

Changes of benefit terms.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Changes of assumptions.

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered total OPEB liability.

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COMBINING SCHEDULES

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	244 Career and Technical - Basic Grant
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	86,422	45,789	711	8,990
1000	Total Assets	<u>\$ 86,422</u>	<u>\$ 45,789</u>	<u>\$ 711</u>	<u>\$ 8,990</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 1,345	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	86,422	44,444	711	8,990
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>86,422</u>	<u>45,789</u>	<u>711</u>	<u>8,990</u>
FUND BALANCES					
Committed Fund Balance:					
3510	Construction	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 86,422</u>	<u>\$ 45,789</u>	<u>\$ 711</u>	<u>\$ 8,990</u>

EXHIBIT H-1 (Cont'd)

255 ESEA II,A Training and Recruiting	288 Haz. Mat Materials Allotment	289 Other Federal Special Revenue Funds	410 State Textbook Fund	461 Campus Activity Funds	462 Tuloso Education Foundation	496 County Diabetes Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 58,114	\$ 599,146	\$ 13,959	\$ 2,488	\$ 673,707
13,619	123,402	7,665	-	-	-	-	286,598
<u>\$ 13,619</u>	<u>\$ 123,402</u>	<u>\$ 7,665</u>	<u>\$ 58,114</u>	<u>\$ 599,146</u>	<u>\$ 13,959</u>	<u>\$ 2,488</u>	<u>\$ 960,305</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,409	\$ -	\$ -	\$ 5,754
-	-	-	-	233	-	-	233
13,619	123,402	7,665	-	-	-	-	285,253
-	-	-	-	-	2,695	-	2,695
-	-	-	58,114	-	11,264	2,488	71,866
<u>13,619</u>	<u>123,402</u>	<u>7,665</u>	<u>58,114</u>	<u>4,642</u>	<u>13,959</u>	<u>2,488</u>	<u>365,801</u>
-	-	-	-	-	-	-	-
-	-	-	-	594,504	-	-	594,504
-	-	-	-	594,504	-	-	594,504
<u>\$ 13,619</u>	<u>\$ 123,402</u>	<u>\$ 7,665</u>	<u>\$ 58,114</u>	<u>\$ 599,146</u>	<u>\$ 13,959</u>	<u>\$ 2,488</u>	<u>\$ 960,305</u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

Data Control Codes		655 Capital Projects Fund	685 Capital Projects Fund	695 Capital Projects Fund	699 Capital Projects Fund
ASSETS					
1110	Cash and Cash Equivalents	\$ 9,906	\$ 784,726	\$ 97,439	\$ 190,917
1240	Receivables from Other Governments	-	-	-	-
1000	Total Assets	<u>\$ 9,906</u>	<u>\$ 784,726</u>	<u>\$ 97,439</u>	<u>\$ 190,917</u>
LIABILITIES					
2110	Accounts Payable	\$ 4,741	\$ 50,373	\$ 18,933	\$ 12,533
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	-	-
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>4,741</u>	<u>50,373</u>	<u>18,933</u>	<u>12,533</u>
FUND BALANCES					
Committed Fund Balance:					
3510	Construction	5,165	734,353	78,506	178,384
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>5,165</u>	<u>734,353</u>	<u>78,506</u>	<u>178,384</u>
4000	Total Liabilities and Fund Balances	<u>\$ 9,906</u>	<u>\$ 784,726</u>	<u>\$ 97,439</u>	<u>\$ 190,917</u>

Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 1,082,988	\$ 1,756,695
-	286,598
<u>\$ 1,082,988</u>	<u>\$ 2,043,293</u>
\$ 86,580	\$ 92,334
-	233
-	285,253
-	2,695
-	71,866
<u>86,580</u>	<u>452,381</u>
996,408	996,408
-	594,504
<u>996,408</u>	<u>1,590,912</u>
<u>\$ 1,082,988</u>	<u>\$ 2,043,293</u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	244 Career and Technical - Basic Grant
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	620,483	557,623	9,693	28,851
5020 Total Revenues	620,483	557,623	9,693	28,851
EXPENDITURES:				
Current:				
0011 Instruction	566,851	381,459	9,693	28,851
0013 Curriculum and Instructional Staff Development	23,675	5,671	-	-
0021 Instructional Leadership	8,821	4,059	-	-
0023 School Leadership	8,926	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	166,184	-	-
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	12,210	250	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	620,483	557,623	9,693	28,851
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

255 ESEA II,A Training and Recruiting	288 Haz. Mat Materials Allotment	289 Other Federal Special Revenue Funds	410 State Textbook Fund	461 Campus Activity Funds	462 Tuloso Education Foundation	496 County Diabetes Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,024,266	\$ 56,992	\$ -	\$ 1,081,258
-	-	-	99,483	-	-	-	99,483
103,692	-	7,665	-	-	-	-	1,328,007
103,692	-	7,665	99,483	1,024,266	56,992	-	2,508,748
15,508	-	1,545	99,483	2,000	56,992	-	1,162,382
82,569	-	6,120	-	-	-	-	118,035
2,340	-	-	-	-	-	-	15,220
1,925	-	-	-	-	-	-	10,851
1,350	-	-	-	-	-	-	167,534
-	-	-	-	916,782	-	-	916,782
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	12,460
-	-	-	-	-	-	-	-
103,692	-	7,665	99,483	918,782	56,992	-	2,403,264
-	-	-	-	105,484	-	-	105,484
-	-	-	-	489,020	-	-	489,020
\$ -	\$ -	\$ -	\$ -	\$ 594,504	\$ -	\$ -	\$ 594,504

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	655 Capital Projects Fund	685 Capital Projects Fund	695 Capital Projects Fund	699 Capital Projects Fund
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 5,150	\$ 25,056	\$ 52,942	\$ 139,352
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	5,150	25,056	52,942	139,352
EXPENDITURES:				
Current:				
0011 Instruction	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	974,006	-	-
0052 Security and Monitoring Services	-	27,993	-	-
0053 Data Processing Services	-	67,466	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	1,574	10,519
6030 Total Expenditures	-	1,069,465	1,574	10,519
1200 Net Change in Fund Balance	5,150	(1,044,409)	51,368	128,833
0100 Fund Balance - September 1 (Beginning)	15	1,778,762	27,138	49,551
3000 Fund Balance - August 31 (Ending)	\$ 5,165	\$ 734,353	\$ 78,506	\$ 178,384

	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$	222,500	\$ 1,303,758
	-	99,483
	-	1,328,007
	222,500	2,731,248
	-	1,162,382
	-	118,035
	-	15,220
	-	10,851
	-	167,534
	-	916,782
	974,006	974,006
	27,993	27,993
	67,466	67,466
	-	12,460
	12,093	12,093
	1,081,558	3,484,822
	(859,058)	(753,574)
	1,855,466	2,344,486
\$	996,408	\$ 1,590,912

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REQUIRED TEA SCHEDULES

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2018

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	\$ 1.040000	\$ 0.292200	\$ 1,413,284,173
2010	1.040000	0.292200	1,469,556,121
2011	1.170000	0.162200	1,449,712,425
2012	1.090500	0.241700	1,659,418,082
2013	1.068600	0.263600	1,827,721,060
2014	1.040000	0.277100	2,195,544,346
2015	1.090000	0.304500	2,212,755,633
2016	1.105600	0.271800	2,406,366,842
2017	1.170000	0.238900	2,690,525,631
2018 (School year under audit)	1.170000	0.202200	3,165,916,701
1000 TOTALS			

(10) Beginning Balance 9/1/2017		(20) Current Year's Total Levy		(31) Maintenance Collections		(32) Debt Service Collections		(40) Entire Year's Adjustments		(50) Ending Balance 8/31/2018	
\$	146,590	\$	-	\$	683	\$	180	\$	(32,135)	\$	113,592
	31,075		-		263		74		(173)		30,565
	70,814		-		760		105		(153)		69,796
	112,359		-		2,648		587		(1,200)		107,924
	55,590		-		5,182		1,279		(141)		48,988
	87,044		-		13,400		3,570		8,798		78,872
	84,641		-		15,722		4,406		9,624		74,137
	168,126		-		46,956		11,724		4,045		113,491
	376,895		-		155,263		27,189		(7,444)		186,999
	-		37,670,562		29,024,907		5,023,873		(509,983)		3,111,799
<u>\$</u>	<u>1,133,134</u>	<u>\$</u>	<u>37,670,562</u>	<u>\$</u>	<u>29,265,784</u>	<u>\$</u>	<u>5,072,987</u>	<u>\$</u>	<u>(528,762)</u>	<u>\$</u>	<u>3,936,163</u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/18 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 8,386,875
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 512,917	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	108,222	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	-	
7	Estimate of two month's average cash disbursements during the fiscal year.	6,634,700	
8	Estimate of delayed payments from state sources (58xx).	2,000,000	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>9,255,839</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u>\$ (868,964)</u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 692,500	\$ 692,500	\$ 528,798	\$ (163,702)
5800	State Program Revenues	9,750	9,750	9,563	(187)
5900	Federal Program Revenues	1,595,000	1,595,000	2,019,562	424,562
5020	Total Revenues	2,297,250	2,297,250	2,557,923	260,673
EXPENDITURES:					
0035	Food Services	2,250,250	2,250,250	2,095,387	154,863
0051	Facilities Maintenance and Operations	47,000	47,000	43,713	3,287
6030	Total Expenditures	2,297,250	2,297,250	2,139,100	158,150
1200	Net Change in Fund Balances	-	-	418,823	418,823
0100	Fund Balance - September 1 (Beginning)	138,804	138,804	138,804	-
3000	Fund Balance - August 31 (Ending)	\$ 138,804	\$ 138,804	\$ 557,627	\$ 418,823

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 6,293,325	\$ 6,293,325	\$ 5,140,832	\$ (1,152,493)
5800	State Program Revenues	55,000	55,000	66,056	11,056
5020	Total Revenues	6,348,325	6,348,325	5,206,888	(1,141,437)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	3,854,000	4,004,000	4,004,000	-
0072	Interest on Long Term Debt	2,344,327	2,152,603	2,152,602	1
0073	Bond Issuance Cost and Fees	15,000	177,739	167,456	10,283
6030	Total Expenditures	6,213,327	6,334,342	6,324,058	10,284
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	134,998	13,983	(1,117,170)	(1,131,153)
OTHER FINANCING SOURCES (USES):					
7914	Non-Current Loans	-	8,220,000	8,220,000	-
7916	Premium or Discount on Issuance of Bonds	-	1,120,098	1,120,098	-
7917	Prepaid Interest	-	(946,417)	(946,416)	1
8949	Other (Uses)	-	(8,230,000)	(8,230,000)	-
7080	Total Other Financing Sources (Uses)	-	163,681	163,682	1
1200	Net Change in Fund Balances	134,998	177,664	(953,488)	(1,131,152)
0100	Fund Balance - September 1 (Beginning)	1,211,495	1,211,495	1,211,495	-
3000	Fund Balance - August 31 (Ending)	\$ 1,346,493	\$ 1,389,159	\$ 258,007	\$ (1,131,152)

FEDERAL AWARDS SECTION

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**ERNEST R. GARZA
AND COMPANY, P.C.**
Certified Public Accountants

10201 Leopard #A
Corpus Christi, Texas 78410
Bus. (361) 241-2452
Fax No. (361) 242-1525
Toll Free 1-800-241-1272



6102 Ayers St. #106
Corpus Christi, Texas 78415
Bus. (361) 723-0685
Fax (361) 723-0689

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

January 7, 2019

Tuloso-Midway Independent School District
9760 La Branch Dr
Corpus Christi, Texas 78410

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Tuloso-Midway Independent School District as of and for the year ended August 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 7, 2019.

Internal Control Over Financial Reporting

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

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

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

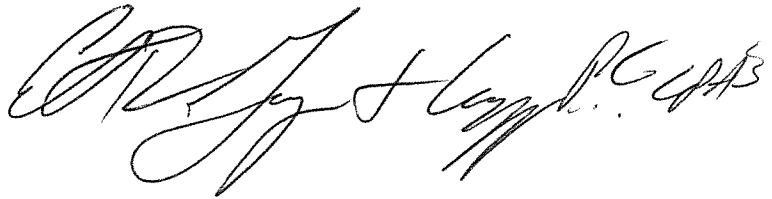
Compliance and Other Matters

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

Purpose of this Report

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

Ernest R. Garza and Company, P.C. CPA's
Corpus Christi, Texas
January 7, 2019

A handwritten signature in black ink, appearing to read "Ernest R. Garza and Company, P.C. CPA's". The signature is stylized and cursive.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018

None

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

None

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

I. Summary of the Auditor's Results:

Financial statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	____. Yes	<u> X </u> . No
Significant deficiencies identified not considered being material weaknesses?	____. Yes	<u> X </u> . No
Noncompliance material to financial statements noted?	____. Yes	<u> X </u> . No

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	____. Yes	<u> X </u> . No
Significant deficiencies identified not considered to be material weaknesses?	____. Yes	<u> X </u> . No
Noncompliance material to financial statements noted?	____. Yes	<u> X </u> . No

An unmodified opinion was issued regarding compliance and internal controls.

An unmodified opinion was issued regarding compliance for the major award programs.

The audit disclosed no audit findings which are required to be reported in this schedule under the Uniform Guidance.

Major programs:

School Breakfast Program, CFDA 10.553

National School Breakfast and Lunch Program, CFDA 10.555

The threshold used to distinguish between Type A and Type B federal programs was \$750,000.

The district was not classified as a low auditee in context of the Uniform Guidance.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

None

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I. Above

None

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018

None

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**ERNEST R. GARZA
AND COMPANY, P.C.**
Certified Public Accountants

10201 Leopard #A
Corpus Christi, Texas 78410
Bus. (361) 241-2452
Fax No. (361) 242-1525
Toll Free 1-800-241-1272



6102 Ayers St. #106
Corpus Christi, Texas 78415
Bus. (361) 723-0685
Fax (361) 723-0689

**Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Independent Auditor's Report

January 7, 2019

Tuloso-Midway Independent School District
9760 La Branch Dr
Corpus Christi, Texas 78410

Report on Compliance for Each Major Federal Program

We have audited Tuloso-Midway Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Tuloso-Midway Independent School District's major federal programs for the year ended August 31, 2018. Tuloso-Midway Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tuloso-Midway Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tuloso-Midway Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Tuloso-Midway Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Tuloso-Midway Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

Report on Internal Control Over Compliance

Management of Tuloso-Midway Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tuloso-Midway Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tuloso-Midway Independent School District's internal control over compliance.

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

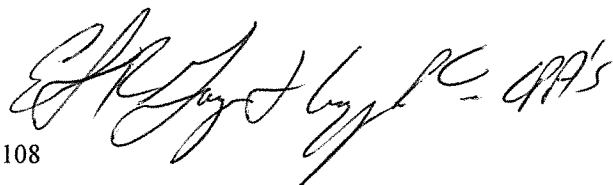
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tuloso-Midway Independent School District as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the Tuloso-Midway Independent School District's basic financial statements. We have issued our report thereon dated January 7, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Ernest R. Garza and Company, P.C. CPA's
Corpus Christi, Texas
January 7, 2019



TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Other Federally Funded Special Revenue Funds	84.424A	18-6800101178912	\$ 7,665
Total Direct Programs			7,665
TOTAL DEPARTMENT OF EDUCATION			7,665
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18-610101178912	620,483
*IDEA - Part B, Formula	84.027	18-660001178941260	557,623
*IDEA - Part B, Preschool	84.173	18-661001178912610	9,693
Total Special Education Cluster (IDEA)			567,316
Career and Technical - Basic Grant	84.048	18-420006178912	28,851
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	18-694501178912	103,692
Total Passed Through State Department of Education			1,320,342
TOTAL U.S. DEPARTMENT OF EDUCATION			1,320,342
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	529-07-0157-00026	13,902
Total Passed Through Texas Dept of Human Services			13,902
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			13,902
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401601	731,309
*National School Lunch Program - Cash Assistance	10.555	71301601	1,189,819
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301601	98,433
Total CFDA Number 10.555			1,288,252
Total Child Nutrition Cluster			2,019,561
Total Passed Through the State Department of Agriculture			2,019,561
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,019,561
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,361,470

*Clustered Programs

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

2. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Title 2 U.S. Code of federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Tuloso-Midway Independent School District under programs of the federal government for the year ended August 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Tuloso-Midway Independent School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Tuloso-Midway Independent School District.

SCHOOLS FIRST QUESTIONNAIRE

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2018

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	17296698
SF13	Pension Expense (6147) at fiscal year-end.	-3799595

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