

**TULOSO-MIDWAY INDEPENDENT
SCHOOL DISTRICT**

**Annual Financial Report
For the Year Ended August 31, 2017**

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

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Tuloso-Midway Independent School District
Annual Financial Report
For the Year Ended August 31, 2017

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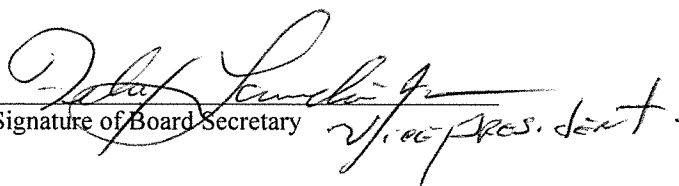
CERTIFICATE OF BOARD

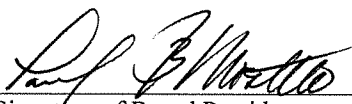
Tuloso-Midway Independent School District
Name of School District

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, 2017 at a meeting of the Board of Trustees of such school district on the 25th day of January 2018.


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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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, 2017 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, 2017 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.

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, 68 and 85-86 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

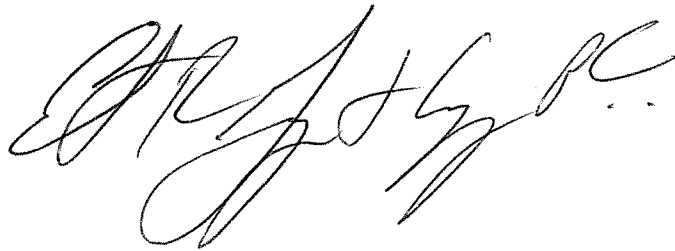
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tuloso Midway Independent School District's basic financial statements. The combining and individual non-major fund financial statements and schedule of expenditures of federal awards, are 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 are also not a required part of 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 schedule of expenditures of federal awards, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2018 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 9, 2018

A large, stylized handwritten signature in black ink, likely belonging to Ernest R. Garza, is positioned to the right of the typed name and date.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Tuloso-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, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

- The District's total combined net position was \$22,915,796 (Exhibit A-1, B-1) at August 31, 2017.
- During the year, the District's expenditures were \$4,486,170 (Exhibit C-3) more, before extraordinary items, than the \$48,000,746 generated in taxes and other revenues for governmental activities.
- Total cost of all of the District's programs was \$51,003,568 excluding the enterprise funds (Exhibit B-1) which was \$3,951,922 more than the previous year.
- The General Fund reported a total fund balance this year of \$8,099,019. (Exhibit C-1, C-3).

Fund Financial Statements

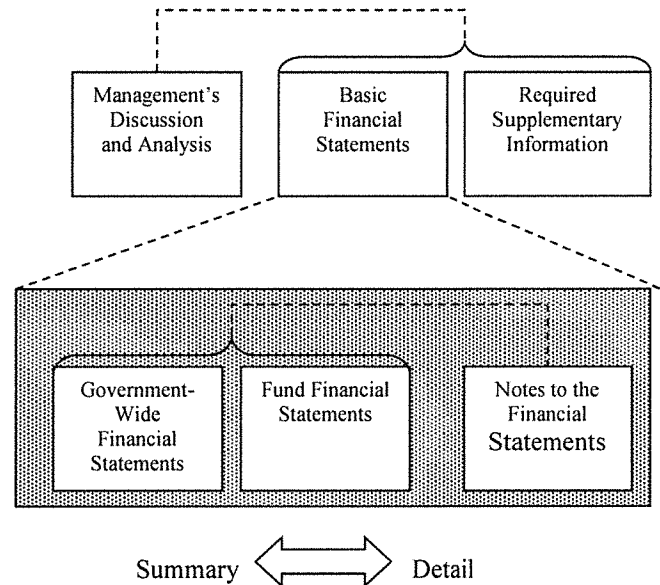
- The general fund reported a total fund balance this year of \$8,099,019. Approximately 92.4% or \$7,480,911 of the total fund balance is unassigned and equals 20.84% of the current fiscal year's total general fund expenditures and transfers out. The unassigned fund balance is available for spending at the government's discretion.
- 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 2016-2017. The I&S tax rate peaked at \$0.3045 for 2014-2015. The current I&S tax rate for 2016-2017 is \$0.2389.
- On November 8, 2011, the District voters approved a \$36 million dollar bond package for capital improvements across the District. All bonds were sold as of January 8, 2015. All major building projects have been completed as of August 17, 2017.
- On October 17, 2016 the District issued \$5.31 million in limited tax maintenance notes to fund major maintenance projects to replace and upgrade HVAC systems, roofs and technology systems.
- During 2016-2017 the District received \$1,654,998 in Chapter 313 agreement supplemental and hold-harmless payments from M&G Resins.

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 \$22,915,796 at August 31, 2017. (See Exhibit A-1, B-1).

The \$7,480,911 of unassigned fund balance represents resources available to fund the programs of the District's next year. (Exhibit C-1)

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

		1	2	3
		Primary Government		
	Data		Business	
	Control	Governmental	Type	
	Codes	Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 14,944,475	\$ 137,555	\$ 15,082,030
1220	Property Taxes Receivable - Net	750,623	-	750,623
1240	Due from Other Governments	959,199	-	959,199
1250	Accrued Interest	-	-	-
1260	Internal Balances	-	-	-
1267	Due from Fiduciary Funds	-	-	-
1290	Other Receivables, net	19,081	-	19,081
1300	Inventories	155,668	-	155,668
1490	Other Current Assets	450,864	-	450,864
	Capital Assets:			
1510	Land	995,732	-	995,732
1520	Buildings, Net	83,608,109	-	83,608,109
1530	Furniture and Equipment, Net	1,830,820	-	1,830,820
1580	Construction in Progress	1,905,908	-	1,905,908
1000	Total Assets	105,620,479	137,555	105,758,034
DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred Charge for Refunding	-	-	-
1705	Deferred Outflow Related to TRS	3,246,127	-	3,246,127
1700	Total Deferred Outflows of Resources	3,246,127	-	3,246,127
LIABILITIES				
2110	Account Payable	1,880,381	-	1,880,381
2140	Interest Payable	152,217	-	152,217
2150	Payroll Deductions & Withholdings	5,953	3,512	9,465
2160	Accrued Wages Payable	184,559	-	184,559
2180	Due to Other Governments	1,968,923	-	1,968,923
2190	Due to Others	23,196	-	23,196
2200	Accrued Expenses	-	-	-
2300	Unearned Revenue	87,156	-	87,156
	Noncurrent Liabilities			
2501	Due Within One Year	4,786,770	-	4,786,770
2502	Due in More Than One Year	69,609,564	-	69,609,564
2540	Net Pension Liability (District's Share)	6,983,539	-	6,983,539
2000	Total Liabilities	85,682,258	3,512	85,685,770
DEFERRED INFLOW OF RESOURCES				
2605	Deferred Inflow Related to TRS	402,595	-	402,595
2600	Total Deferred Inflows of Resources	402,595	-	402,595
NET POSITION				
3200	Net Investment in Capital Assets	13,890,913	-	13,890,913
	Restricted:			
3820	Restricted for Federal and State Programs	220,647	-	220,647
3850	Restricted for Debt Service	1,211,495	-	1,211,495
3860	Restricted for Capital Projects	1,940,151	-	1,940,151
3880	Restricted for Scholarships	-	-	-
3890	Restricted for Other Purposes	940,599	-	940,599
3900	Unrestricted	4,577,948	134,043	4,711,991
3000	Total Net Position	\$ 22,781,753	\$ 134,043	\$ 22,915,796

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

Change in net position

The District's total governmental revenues were \$48,641,710. A portion, 72.0%, of the District's governmental revenue, comes from taxes. Approximately 12.9% comes from Operating Grants and Contributions, while only 1.6% relates to charges for services. (See Exhibit B-1)

The total cost of all governmental programs and services was \$51,003,568. (Exhibit B-1)

Governmental Activities

- The Maintenance and Operation tax rate, in compliance with State funding laws, is \$1.17 per \$100 value, which is an increase due to effective tax rate calculations. The Interest and Sinking tax rate decreased to \$.2389. The total tax rate was increased to 1.4089 in 2017 from \$1.1056 in 2016 per \$100. Collections of tax revenues remain consistent.

	Governmental		Business		Total		Net Difference
	2017	2016	2017	2016	2017	2016	2016-2015
Program Revenues:							
Charges for Services	\$ 790,220	\$ 1,740,994	\$ 255,518	\$ 235,645	\$ 1,045,738	\$ 1,976,639	\$ (930,901)
Operating Grants and Contributions	6,423,272	9,088,274	-	-	6,423,272	9,088,274	(2,665,002)
General Revenues							
Property Taxes	35,741,362	32,945,331	-	-	35,741,362	32,945,331	2,796,031
State Aid-Formula	3,090,554	5,315,878	-	-	3,090,554	5,315,878	(2,225,324)
Investment Earnings	201,297	83,869	-	-	201,297	83,869	117,428
Other	2,395,005	221,426	-	-	2,395,005	221,426	2,173,579
Total Revenues	48,641,710	49,395,772	255,518	235,645	48,897,228	49,631,417	(734,189)
Expenses							
Instruction	23,341,257	23,146,717	-	-	23,341,257	23,146,717	194,540
Instructional Res. Media Serv.	442,490	421,740	-	-	442,490	421,740	20,750
Curriculum Dev. and							
Instructional Staff Develop.	159,977	165,953	-	-	159,977	165,953	(5,976)
Instructional Leadership	635,723	609,084	-	-	635,723	609,084	26,639
School Leadership	2,072,644	1,993,626	-	-	2,072,644	1,993,626	79,018
Guidance, Counseling and							
Evaluation Services	1,468,430	1,347,764	-	-	1,468,430	1,347,764	120,666
Social Work Services	17,741	16,555	-	-	17,741	16,555	1,186
Health Services	422,649	339,804	-	-	422,649	339,804	82,845
Student (Pupil) Transportation	1,257,133	1,223,657	-	-	1,257,133	1,223,657	33,476
Food Services	2,470,574	2,468,845	-	-	2,470,574	2,468,845	1,729
Curricular/Extracurr. Activities	2,856,179	2,461,289	-	-	2,856,179	2,461,289	394,890
General Administration	1,913,967	1,711,782	-	-	1,913,967	1,711,782	202,185
Plant Maint. & Operations	8,672,067	5,309,161	-	-	8,672,067	5,309,161	3,362,906
Security and Monitoring	236,431	253,127	-	-	236,431	253,127	(16,696)
Data Processing Services	636,069	645,347	-	-	636,069	645,347	(9,278)
Community Service	37,654	9,927	-	-	37,654	9,927	27,727
Debt Service	2,973,421	4,234,073	-	-	2,973,421	4,234,073	(1,260,652)
TMPM After School Care	-	-	252,087	214,684	252,087	214,684	37,403
Capital Outlay – non-cap.	-	-	-	-	-	-	-
Contracted Instruct. Services	945,874	302,861	-	-	945,874	302,861	643,013
Payments to Shared Service	-	-	-	-	-	-	-
Payments to Juvenile Justice	33,746	35,488	-	-	33,746	-	-
Alternative Ed. Program	-	-	-	-	-	-	-
Other Intergovernmental	409,542	354,846	-	200,000	409,542	554,846	(145,304)
Total Expenses	51,003,568	47,051,646	252,087	414,684	51,255,655	47,430,842	3,791,067
Transfers							
Increase (Dec.) in Net Position	(2,361,858)	2,344,126	3,431	(179,039)	(2,358,427)	2,165,087	(4,523,514)
Net Position Beginning	25,143,611	22,799,485	130,612	309,651	25,274,223	23,109,136	2,165,087
Prior Period Adjustment	-	-	-	-	-	-	-
Net Position Ending	\$ 22,781,753	\$ 25,143,611	\$ 134,043	\$ 130,612	\$ 22,915,796	\$ 25,274,223	\$ (2,358,427)

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 \$51,003,568. (Exhibit B-1)
- However, the amount that our taxpayers paid for these activities through property taxes was only \$43,790,076. (Exhibit B-1)
- Some of the cost was paid by those who directly benefited from the programs \$790,220, or by grants and contributions \$6,423,272. (Exhibit B-1)

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services			% Change	Net Cost of Services			% Change
	2017	2016			2017	2016		
Instruction	\$ 23,341,257	\$ 23,146,717		0.84%	\$ (21,356,901)	\$ (21,057,196)		1.42%
School Leadership	2,072,644	1,993,626		3.96%	(1,973,961)	(1,898,167)		3.99%
Plant maintenance & Operations	8,672,067	5,309,161		63.34%	(8,485,350)	(5,152,602)		64.68%
Debt Service-Interest & Fiscal Charges	2,973,421	4,234,073		-29.77%	(2,973,421)	(4,100,437)		-27.49%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from general governmental fund types (Exhibit C-3) totaled \$48,000,746, 82.70% 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 several times. Even with these adjustments, actual expenditures were \$751,627 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 \$8,099,019 differs from the General Fund's budgetary fund balance of \$7,552,059 reported in the budgetary comparison schedule (Exhibit G-1). This is due to property tax collections and federal revenues being less than expected and budgeted expenditures planned for the year not being fully expended as of August 31, 2017.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had invested a net \$88,340,569 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4). This amount represents a net increase (including additions and deductions but before depreciation) of \$2,146,477 over last year due to completed 2016-2017 construction projects. All major projects from the \$36 million bond program have been completed.

Table A-4			
Tuloso-Midway Independent School District's Capital Assets			
	Governmental Activities		Total Percentage Change
	2017	2016	2017-2016
Land	\$ 995,733	\$ 995,733	0.0%
Construction in Progress	1,905,908	10,192,625	-81.3%
Buildings and improvements	121,126,698	110,997,621	9.1%
Furniture & Equipment	5,495,983	5,347,707	2.8%
Vehicles	3,032,515	2,876,676	5.4%
Capital Leases	246,357	246,357	0.0%
Total at historical cost	132,803,194	130,656,719	1.6%
Total accumulated	(44,462,625)	(40,287,340)	10.4%
Net capital assets	<u>\$ 88,340,569</u>	<u>\$ 90,369,379</u>	<u>-2.2%</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 \$74,396,334 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
	2017	2016	2017-2016
Leases Payable	\$ 41,231	\$ 81,261	-49.26%
Bonds Payable	63,064,000	67,255,000	-6.23%
Accretion Payable	-	-	0.00%
Maintenance Tax Note	7,965,031	3,228,386	146.72%
Premium	3,213,241	2,455,205	100.00%
Leave Liability	112,831	121,246	-6.94%
Total bonds & leases	<u>\$ 74,396,334</u>	<u>\$ 73,141,098</u>	<u>1.72%</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 values for the October 2016 tax levy increased \$149.6 million or 6.2% for M&O purposes and \$261 million or 10.8% 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 2016 snapshot enrollment identical to the previous year (3,850). Average Daily Attendance (ADA) decreased 20.482 (3,638.625 to 3,607.884) for a .84% reduction. October 2017 snapshot enrollment is 3,888 (38 enrollment increase).
- General Fund spending per student (October AEIS snapshot enrollment) increased from \$8,670 to \$9,326 from 2015-2016 to 2016-2017.
- Due to continued rising property values the District paid Chapter 41 recapture amounts of \$194,944 (2014-2015), \$302,861 (2015-2016) and \$948,692 (2016-2017).

The 2017 property values have increased \$150 million (6.2% increase) for M&O values and \$261.4 million (10.9% increase) for I&S values. The effective M&O tax rate was increased \$0.0644 cents to \$1.17 for an estimated increase of \$3.6 million in tax collections. The I&S tax rate was reduced \$0.0329 cents. The total tax rate for 16-17 was increased from \$1.3774 to \$1.4089. Because the percentage increase in M&O property values was less than the previous year state revenues are estimated to be reduced \$2.9 million after recapture. No permanent raises other than the teacher salary schedule step increases were implemented for 2016-2017. A one-thousand dollar one-time retention incentive was provided in 2016-2017. A balanced budget was adopted for the 2016-2017 fiscal year.

The 2018 certified property values have increased \$109.7 million (4.3% increase) for M&O values and \$464.5 million (17.4% increase) for I&S values. The effective M&O tax rate was maintained at the maximum amount of \$1.17 with an estimated increase of \$1 million in tax collections. The I&S tax rate was reduced \$0.0367 cents. The total tax rate for 17-18 was decreased from \$1.4089 to \$1.3722. Estimated state revenues are decreased \$500,000. Estimated recapture payments for 2017-2018 are \$1.9 million. All employee classifications received 3% across the board raises for 17-18. A \$1,000 one-time retention incentive was also provided in 2017-2018. A balanced budget was adopted for the 2017-2018 fiscal year.

During the fall of 2011 a major Italian manufacturing corporation announced plans to build two facilities within the District with the potential property value of \$700-900 million. Construction is expected to be completed by late 2017 or early 2018. The entity has been 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.

As a result of the major industrial projects scheduled to be constructed in the District it is projected by 2017-2018 the District will 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 Philip Carroll, CPA, Business Manager, Tuloso Midway Independent School District, 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, 2017

EXHIBIT A-1

		1	2	3
		Primary Government		
Data			Business	
Control		Governmental	Type	
Codes		Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 14,944,475	\$ 137,555	\$ 15,082,030
1225	Property Taxes Receivable, net	750,623	-	750,623
1240	Due from Other Governments	959,199	-	959,199
1290	Other Receivables, net	19,081	-	19,081
1300	Inventories	155,668	-	155,668
1410	Prepayments	450,864	-	450,864
	Capital Assets:			
1510	Land	995,732	-	995,732
1520	Buildings, Net	83,608,109	-	83,608,109
1530	Furniture and Equipment, Net	1,736,777	-	1,736,777
1550	Leased Property Under Capital Leases, Net	94,043	-	94,043
1580	Construction in Progress	1,905,908	-	1,905,908
1000	Total Assets	105,620,479	137,555	105,758,034
DEFERRED OUTFLOWS OF RESOURCES				
1705	Deferred Outflow Related to TRS	3,246,127	-	3,246,127
1700	Total Deferred Outflows of Resources	3,246,127	-	3,246,127
LIABILITIES				
2110	Accounts Payable	1,880,381	-	1,880,381
2140	Interest Payable	152,217	-	152,217
2150	Payroll Deductions & Withholdings	5,953	-	5,953
2160	Accrued Wages Payable	184,559	3,512	188,071
2180	Due to Other Governments	1,968,923	-	1,968,923
2190	Due to Student Groups	23,196	-	23,196
2300	Unearned Revenue	87,156	-	87,156
	Noncurrent Liabilities			
2501	Due Within One Year	4,786,770	-	4,786,770
2502	Due in More Than One Year	69,609,564	-	69,609,564
2540	Net Pension Liability (District's Share)	6,983,539	-	6,983,539
2000	Total Liabilities	85,682,258	3,512	85,685,770
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred Inflow Related to TRS	402,595	-	402,595
2600	Total Deferred Inflows of Resources	402,595	-	402,595
NET POSITION				
3200	Net Investment in Capital Assets	13,890,913	-	13,890,913
	Restricted:			
3820	Restricted for Federal and State Programs	220,647	-	220,647
3850	Restricted for Debt Service	1,211,495	-	1,211,495
3860	Restricted for Capital Projects	1,940,151	-	1,940,151
3890	Restricted for Other Purposes	940,599	-	940,599
3900	Unrestricted	4,577,948	134,043	4,711,991
3000	Total Net Position	\$ 22,781,753	\$ 134,043	\$ 22,915,796

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, 2017

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 23,341,257	\$ -	\$ 1,984,356
12 Instructional Resources and Media Services	442,490	-	19,349
13 Curriculum and Staff Development	159,977	-	92,038
21 Instructional Leadership	635,723	-	31,698
23 School Leadership	2,072,644	-	98,683
31 Guidance, Counseling and Evaluation Services	1,468,430	-	285,883
32 Social Work Services	17,741	-	-
33 Health Services	422,649	-	19,932
34 Student (Pupil) Transportation	1,257,133	-	142,614
35 Food Services	2,470,574	566,725	2,193,523
36 Extracurricular Activities	2,856,179	157,124	972,087
41 General Administration	1,913,967	41,228	52,107
51 Facilities Maintenance and Operations	8,672,067	25,143	161,574
52 Security and Monitoring Services	236,431	-	5,036
53 Data Processing Services	636,069	-	25,379
61 Community Services	37,654	-	9,383
72 Debt Service - Interest on Long Term Debt	2,700,247	-	-
73 Debt Service - Bond Issuance Cost and Fees	273,174	-	-
81 Capital Outlay	-	-	329,630
91 Contracted Instructional Services Between Schools	945,874	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	33,746	-	-
99 Other Intergovernmental Charges	409,542	-	-
[TG] Total Governmental Activities:	51,003,568	790,220	6,423,272
BUSINESS-TYPE ACTIVITIES:			
01 Enterprise Funds - Locally Defined	252,088	255,518	-
[TB] Total Business-Type Activities:	252,088	255,518	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 51,255,656	\$ 1,045,738	\$ 6,423,272

Data	General Revenues:
Control	Taxes:
Codes	
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
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
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
\$ (21,356,901)	\$ -	\$ (21,356,901)
(423,141)	-	(423,141)
(67,939)	-	(67,939)
(604,025)	-	(604,025)
(1,973,961)	-	(1,973,961)
(1,182,547)	-	(1,182,547)
(17,741)	-	(17,741)
(402,717)	-	(402,717)
(1,114,519)	-	(1,114,519)
289,674	-	289,674
(1,726,968)	-	(1,726,968)
(1,820,632)	-	(1,820,632)
(8,485,350)	-	(8,485,350)
(231,395)	-	(231,395)
(610,690)	-	(610,690)
(28,271)	-	(28,271)
(2,700,247)	-	(2,700,247)
(273,174)	-	(273,174)
329,630	-	329,630
(945,874)	-	(945,874)
(33,746)	-	(33,746)
(409,542)	-	(409,542)
(43,790,076)	-	(43,790,076)
-	3,430	3,430
-	3,430	3,430
(43,790,076)	3,430	(43,786,646)
29,442,811	-	29,442,811
6,298,551	-	6,298,551
1,654,998	-	1,654,998
3,090,554	-	3,090,554
201,297	-	201,297
740,007	-	740,007
41,428,218	-	41,428,218
(2,361,858)	3,430	(2,358,428)
25,143,611	130,613	25,274,224
\$ 22,781,753	\$ 134,043	\$ 22,915,796

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 8,976,427	\$ 1,209,543	\$ 2,742,547
1225 Taxes Receivable, net	614,114	136,509	-
1240 Receivables from Other Governments	494,304	1,952	-
1260 Due from Other Funds	542,226	-	-
1290 Other Receivables	12,566	-	-
1300 Inventories	81,843	-	-
1410 Prepayments	449,132	-	-
1000 Total Assets	<u>\$ 11,170,612</u>	<u>\$ 1,348,004</u>	<u>\$ 2,742,547</u>
LIABILITIES			
2110 Accounts Payable	\$ 208,346	\$ -	\$ 820,026
2150 Payroll Deductions and Withholdings Payable	5,953	-	-
2160 Accrued Wages Payable	184,559	-	-
2170 Due to Other Funds	111,273	-	143,759
2180 Due to Other Governments	1,946,228	-	-
2190 Due to Student Groups	-	-	-
2300 Unearned Revenues	1,120	-	-
2000 Total Liabilities	<u>2,457,479</u>	<u>-</u>	<u>963,785</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	614,114	136,509	-
2600 Total Deferred Inflows of Resources	<u>614,114</u>	<u>136,509</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	81,843	-	-
3430 Prepaid Items	449,132	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	1,211,495	-
Committed Fund Balance:			
3510 Construction	-	-	1,778,762
Assigned Fund Balance:			
3550 Construction	45,050	-	-
3570 Capital Expenditures for Equipment	39,635	-	-
3590 Other Assigned Fund Balance	2,448	-	-
3600 Unassigned Fund Balance	7,480,911	-	-
3000 Total Fund Balances	<u>8,099,019</u>	<u>1,211,495</u>	<u>1,778,762</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 11,170,612</u>	<u>\$ 1,348,004</u>	<u>\$ 2,742,547</u>

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

		Total	
Other		Governmental	
Funds		Funds	
\$	1,334,912	\$	14,263,429
	-		750,623
	462,943		959,199
	29,899		572,125
	6,515		19,081
	73,825		155,668
	1,732		450,864
\$	1,909,826	\$	17,170,989
\$	756,279	\$	1,784,651
	-		5,953
	-		184,559
	317,093		572,125
	22,695		1,968,923
	23,196		23,196
	86,036		87,156
	1,205,299		4,626,563
	-		750,623
	-		750,623
	73,825		155,668
	-		449,132
	64,979		64,979
	-		1,211,495
	76,704		1,855,466
	-		45,050
	-		39,635
	489,019		491,467
	-		7,480,911
	704,527		11,793,803
\$	1,909,826	\$	17,170,989

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TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2017

Total Fund Balances - Governmental Funds	\$ 11,793,803
1 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.	585,316
2 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 \$130,656,718 and the accumulated depreciation was (\$40,287,339). 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.	17,228,281
3 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 2017 capital outlays and debt principal payments is to decrease net position.	808,062
4 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 \$3,246,127, a deferred resource inflow in the amount of \$402,595, and a net pension liability in the amount of \$6,983,539. This resulted in an increase (decrease) in net position.	(4,140,007)
5 The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(4,244,325)
6 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.	750,623
19 Net Position of Governmental Activities	\$ 22,781,753

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, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 31,591,429	\$ 6,391,710	\$ 46,475
5800	State Program Revenues	4,404,764	60,456	-
5900	Federal Program Revenues	549,274	-	-
5020	Total Revenues	36,545,467	6,452,166	46,475
EXPENDITURES:				
Current:				
0011	Instruction	19,463,650	-	-
0012	Instructional Resources and Media Services	380,140	-	-
0013	Curriculum and Instructional Staff Development	64,430	-	-
0021	Instructional Leadership	515,853	-	-
0023	School Leadership	1,795,168	-	-
0031	Guidance, Counseling and Evaluation Services	1,014,156	-	-
0032	Social Work Services	891	-	-
0033	Health Services	384,677	-	-
0034	Student (Pupil) Transportation	919,692	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	1,529,868	-	-
0041	General Administration	1,583,247	-	-
0051	Facilities Maintenance and Operations	5,183,601	-	3,450,924
0052	Security and Monitoring Services	304,540	-	10,325
0053	Data Processing Services	474,936	-	176,591
0061	Community Services	-	-	-
Debt Service:				
0071	Principal on Long Term Debt	613,385	3,846,000	-
0072	Interest on Long Term Debt	254,624	2,535,750	-
0073	Bond Issuance Cost and Fees	200	155,330	117,644
Capital Outlay:				
0081	Facilities Acquisition and Construction	31,326	-	133,666
Intergovernmental:				
0091	Contracted Instructional Services Between Schools	945,874	-	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	33,746	-	-
0099	Other Intergovernmental Charges	409,542	-	-
6030	Total Expenditures	35,903,546	6,537,080	3,889,150
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	641,921	(84,914)	(3,842,675)
OTHER FINANCING SOURCES (USES):				
7914	Non-Current Loans	-	7,810,000	5,310,000
7916	Premium or Discount on Issuance of Bonds	-	680,528	311,437
8949	Other (Uses)	-	(8,155,000)	-
7080	Total Other Financing Sources (Uses)	-	335,528	5,621,437
1200	Net Change in Fund Balances	641,921	250,614	1,778,762
0100	Fund Balance - September 1 (Beginning)	7,457,098	960,881	-
3000	Fund Balance - August 31 (Ending)	\$ 8,099,019	\$ 1,211,495	\$ 1,778,762

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

	Other Funds	Total Governmental Funds
\$	1,667,665	\$ 39,697,279
	113,660	4,578,880
	3,175,313	3,724,587
	4,956,638	48,000,746
	1,006,731	20,470,381
	-	380,140
	91,986	156,416
	7,933	523,786
	7,150	1,802,318
	239,050	1,253,206
	-	891
	-	384,677
	97,640	1,017,332
	2,193,523	2,193,523
	1,046,296	2,576,164
	-	1,583,247
	54,530	8,689,055
	7,802	322,667
	-	651,527
	9,382	9,382
	-	4,459,385
	-	2,790,374
	-	273,174
	1,395,117	1,560,109
	-	945,874
	-	33,746
	-	409,542
	6,157,140	52,486,916
	(1,200,502)	(4,486,170)
	-	13,120,000
	-	991,965
	-	(8,155,000)
	-	5,956,965
	(1,200,502)	1,470,795
	1,905,029	10,323,008
\$	704,527	\$ 11,793,803

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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, 2017

Total Net Change in Fund Balances - Governmental Funds	\$ 1,470,795
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.	85,073
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 2017 capital outlays and debt principal payments is to decrease net position.	808,062
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.	(4,244,325)
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.	125,681
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$588,046. 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 totaling \$587,175. 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 \$608,015. The net result is an increase (decrease) in the change in net position.	(607,144)
Change in Net Position of Governmental Activities	\$ (2,361,858)

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, 2017

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 137,555	\$ 681,046
Total Assets	<u>137,555</u>	<u>681,046</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	95,730
Accrued Wages Payable	<u>3,512</u>	<u>-</u>
Total Liabilities	<u>3,512</u>	<u>95,730</u>
NET POSITION		
Unrestricted Net Position	<u>134,043</u>	<u>585,316</u>
Total Net Position	<u><u>\$ 134,043</u></u>	<u><u>\$ 585,316</u></u>

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, 2017

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 255,518	\$ 248,583
Total Operating Revenues	<u>255,518</u>	<u>248,583</u>
OPERATING EXPENSES:		
Payroll Costs	200,529	-
Professional and Contracted Services	12,285	52,894
Supplies and Materials	11,915	-
Other Operating Costs	2,851	110,616
Capital Outlay	24,508	-
Total Operating Expenses	<u>252,088</u>	<u>163,510</u>
Operating Income	3,430	85,073
Total Net Position -September 1 (Beginning)	<u>130,613</u>	<u>500,243</u>
Total Net Position -August 31 (Ending)	<u><u>\$ 134,043</u></u>	<u><u>\$ 585,316</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, 2017

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	\$ 255,520	\$ 248,583
Cash Payments for Insurance Claims	(253,018)	(156,128)
Net Cash Provided by Operating Activities	2,502	92,455
Net Increase in Cash and Cash Equivalents	2,502	92,455
Cash and Cash Equivalents at Beginning of Year	135,053	588,591
Cash and Cash Equivalents at End of Year	<u>\$ 137,555</u>	<u>\$ 681,046</u>
<u>Reconciliation of Operating Income to Net Cash</u>		
<u>Provided by Operating Activities:</u>		
Operating Income:	\$ 3,430	\$ 85,073
Effect of Increases and Decreases in Current Assets and Liabilities:		
Increase (decrease) in Accounts Payable	(928)	7,382
Net Cash Provided by Operating Activities	<u>\$ 2,502</u>	<u>\$ 92,455</u>

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, 2017

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 107,579
Total Assets	<u>\$ 107,579</u>
LIABILITIES	
Accounts Payable	\$ 350
Due to Student Groups	107,229
Total Liabilities	<u>\$ 107,579</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
FOR THE YEAR ENDED AUGUST 31, 2017

	BALANCE SEPTEMBER 1 2016	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2017
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 82,567	\$ 176,257	\$ 151,245	\$ 107,579
Liabilities:				
Accounts Payable	\$ -	\$ 350	\$ -	\$ 350
Due to Student Groups	82,567	175,908	151,246	107,229
Total Liabilities	\$ 82,567	\$ 176,258	\$ 151,246	\$ 107,579
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 82,567	\$ 176,257	\$ 151,245	\$ 107,579
Liabilities:				
Accounts Payable	\$ -	\$ 350	\$ -	\$ 350
Due to Student Groups	82,567	175,908	151,246	107,229
Total Liabilities	\$ 82,567	\$ 176,258	\$ 151,246	\$ 107,579

NOTES TO FINANCIAL STATEMENTS

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

I. A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Tuloso-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.

As of August 31, 2017, Tuloso-Midway Independent School District retrospectively/prospectively applied 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.

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 Tuloso-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, 2017

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 - TPM.

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, 2017

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, 2017

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. Upon retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in a lump cash payment to such employee or his/her estate.
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.

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.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

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. Pension outflows and inflows.
11. 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 Statewide database for policy development and funding plans.

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:

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

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	\$ 995,732	\$ -	\$ 995,732	
Buildings	110,997,623	33,643,159	77,354,464	
Furniture & Equipment	5,347,706	4,822,937	524,769	
Vehicles	2,876,676	1,691,303	1,185,373	
Capital Leases	246,356	129,940	116,416	
Construction in Progress	10,192,625	-	10,192,625	
Change in Net Position	\$ 130,656,718	\$ 40,287,339		<u>\$ 90,369,379</u>
Long-term Liabilities at the Beginning of the year				
Bonds and Loans Payable	\$ 70,685,893			
Accreted/Deferred Amts	2,455,205			
Prior period adjustment(s)	-			
Change in Net Position				<u>\$ 73,141,098</u>
Net Adjustment to Net Position				<u>\$ 17,228,281</u>

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:

	Changes in Net Net Position	Adjustments to Net Position
<u>Current Year Capital Outlay</u>		
Land	\$ -	
Buildings & Improvements	10,129,077	
Furniture & Equipment	373,155	
Construction in Process	(8,286,717)	
Other	-	
Total Capital Outlay	<u>\$ 2,215,515</u>	<u>\$ 2,215,515</u>
<u>Debt Related Payments</u>		
Bond Principal	(545,645)	
Capital Lease Payments	40,030	
Other	(749,621)	
Accrued Interest	(152,217)	
Total Principal Payments	<u>(1,407,453)</u>	<u>\$ (1,407,453)</u>
Total Adjustment to Net Position	<u>\$ 808,062</u>	<u>\$ 808,062</u>

TULOSO MIDWAYINDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

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. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Change in Net Position	Adjustments to Net Position
<u>Adjustments to Revenue and Unearned Revenue</u>			
Taxes Collected from Prior Year Levies	750,623	750,623	750,623
Uncollected taxes(assumed collectible) from Current Year Levy	-	-	-
Uncollected Taxes (assumed collectible) from Prior Year Levy	-	-	-
Other	(624,942)	(624,942)	-
Total	<u>125,681</u>	<u>125,681</u>	<u>750,623</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.
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 2016-2017 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. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	August 31, 2017
	<u>Fund Balance</u>
Non-appropriated Budget Funds	\$ 138,804
All Special Revenue Funds	<u>\$ 138,804</u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

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.

	General Fund	Debt Service Fund	Total
Delinquent Taxes Receivable	\$ 923,479	\$ 209,655	\$ 1,133,134
Allowance for Uncollectable Taxes	(309,365)	(73,146)	(382,511)
Net Delinquent Taxes Receivable	<u>\$ 614,114</u>	<u>\$ 136,509</u>	<u>\$ 750,623</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.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

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

Asset Class	Estimated Useful Lives
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.

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.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

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:

<u>Violation</u>			
Violation	Budget	Actual	Variance
None			

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

None

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.

1. Cash Deposits:

At August 31, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,510,680 and the bank/investment balance was \$2,592,594. 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 \$11,415,479.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$8,022,156 and occurred during the month of November 2016.
- d. Total amount of FDIC coverage at the time of the end of the fiscal year was \$250,000.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
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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.

1. 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 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, 2017, the District had \$13,116,224 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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
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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:

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.

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	\$ 995,732	\$ -	\$ -	\$ 995,732
Construction in Progress	10,192,625	862,298	9,149,015	1,905,908
Total Capital assets not being depreciated	11,188,357	862,298	9,149,015	2,901,640
<i>Capital Asset being depreciated:</i>				
Buildings and improvements	110,997,623	10,129,077	-	121,126,700
Equipment	5,347,706	155,959	7,682	5,495,983
Vehicles	2,876,676	218,732	62,893	3,032,515
Capital Leases	246,356	-	-	246,356
Total capital assets being depreciated	119,468,361	10,503,768	70,575	129,901,554
Less accumulated depreciation for:				
Buildings and improvements	(33,643,159)	(3,875,432)	-	(37,518,591)
Equipment	(4,822,937)	(149,079)	(6,146)	(4,965,870)
Vehicles	(1,691,303)	(197,441)	(62,893)	(1,825,851)
Capital Leases	(129,940)	(22,373)	-	(152,313)
Total accumulated depreciation	(40,287,339)	(4,244,325)	(69,039)	(44,462,625)
Total capital assets being depreciated, net	79,181,022	6,259,443	1,536	85,438,929
Governmental activities capital assets, net	\$ 90,369,379	\$ 7,121,741	\$ 9,150,551	\$ 88,340,569
Depreciation was charged to functions as follows:				
Instruction	\$ 2,284,923			
Instruction Resources and Media Services	52,554			
Curriculum and Staff Development	2,563			
Instructional Leadership	98,426			
School Leadership	216,440			
Guidance, Counseling, & Evaluation Services	178,737			
Social Work Services	16,850			
Health Services	26,795			
Student Transportation	220,759			
Food Services	277,051			
Extracurricular Activities	248,943			
General Administration	127,069			
Plant Maintenance and Operations	479,860			
Security and Monitoring Services	13,164			
Data Processing	10			
Community Services	181			
Total Depreciation	\$ 4,244,325			

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
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G. Interfund Balances and Activities

I. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2017, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ -	Short-term loans
General Fund	Major Fund	542,226	Short-term loans
General Fund	Other Governmental Funds	29,899	Short-term loans
General Fund	Internal Service Funds	-	Short-term loans
Internal Service Funds	Other Governmental Funds	-	Short-term loans
Agency	Other Governmental Funds	-	Short-term loans
	Total	\$ 572,125	

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, 2017, were as follows:

	Property Taxes - Net	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 614,114	\$ 494,304	\$ 542,226	\$ 12,566	\$ 1,663,210
Major Governmental Funds	136,509	1,952	-	-	138,461
Non-major Governmental Funds	-	462,943	29,899	6,515	499,357
Total - Governmental Activities	<u>\$ 750,623</u>	<u>\$ 959,199</u>	<u>\$ 572,125</u>	<u>\$ 19,081</u>	<u>\$ 2,301,028</u>

Payables at August 31, 2017, 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	\$ 208,346	\$ 4,786,770	\$ 190,512	\$ 111,273	\$ 1,946,228	\$ -	\$ 7,243,129
Major Gov. Fund	820,026	-	-	143,759	-	-	963,785
Non-major Gov. Funds	756,279	-	-	317,093	22,695	23,196	1,119,263
Total - Gov. Activities	<u>\$ 1,784,651</u>	<u>\$ 4,786,770</u>	<u>\$ 190,512</u>	<u>\$ 572,125</u>	<u>\$ 1,968,923</u>	<u>\$ 23,196</u>	<u>\$ 9,326,177</u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
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YEAR ENDED AUGUST 31, 2017

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, 2017, are as follow:

	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)	\$ -	\$ 7,810,000	\$ 145,000	\$ 7,665,000	\$ 275,000
Building Bonds Series 2007 4.00%-5.00%, (mat.2/15/37)	8,400,000	-	8,400,000	-	-
Building Bonds Series 2008 4.00%-5.00%, (mat. 8/15/38)	625,000	-	305,000	320,000	320,000
Building Bonds Series 2009 3.00%-5.00%, (mat. 8/15/39)	3,695,000	-	150,000	3,545,000	160,000
Refunding Bonds 2010 2.00%-2.50%, (mat. 8/15/17)	185,000	-	185,000	-	-
Building Bonds Series 2012 2.00%-3.375%, (mat. 8/15/32)	8,045,000	-	400,000	7,645,000	410,000
Building Bonds Series 2013 2.00%-5.00%, (mat. 8/15/33)	13,735,000	-	565,000	13,170,000	585,000
Building Bonds, Series 2014 2.00%-4.00%, (mat. 8/15/34)	8,835,000	-	235,000	8,600,000	240,000
Ref.Bds 2014,2-4.00%, mat.2/15/26	6,915,000	-	1,060,000	5,855,000	1,090,000
Refunding Bonds 2015 1.92%, (mat. 2/15/27)	5,550,000	-	375,000	5,175,000	590,000
Refunding Bonds 2016 2.96% (mat. 8/15/38)	10,935,000	-	15,000	10,920,000	15,000
Bldg.Bds, Series 2015,2-4%,2/15/18	335,000	-	166,000	169,000	169,000
Capital leases	81,260	-	40,030	41,230	41,230
Maint.Tax Note 4.38%,mat. 11/13/22	1,433,387	-	179,355	1,254,032	187,225
Maint.Tax Note, 2.31%, mat. 2/15/25	1,795,000	-	179,000	1,616,000	186,000
Maint.Tax Note, 3.-5.00%,mat.2/15/31	-	5,310,000	215,000	5,095,000	280,000
Bond Premium	2,437,024	991,966	215,749	3,213,241	215,749
Compensated absences	121,246	-	8,415	112,831	22,566
Total governmental activities	<u>\$ 73,122,917</u>	<u>\$ 14,111,966</u>	<u>\$ 12,838,549</u>	<u>\$ 74,396,334</u>	<u>\$ 4,786,770</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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
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YEAR ENDED AUGUST 31, 2017

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2017, are as follows:

Governmental Activities			
Year Ending August 31,	Principal	Interest	Total
2018	3,854,000	2,344,325	6,198,325
2019	3,970,000	2,221,725	6,191,725
2020	4,100,000	2,094,650	6,194,650
2021	3,355,000	1,975,550	5,330,550
2022	3,470,000	1,858,013	5,328,013
Thereafter	44,315,000	12,780,455	57,095,455
Totals	<u>\$ 63,064,000</u>	<u>\$ 23,274,718</u>	<u>\$ 86,338,718</u>

Governmental Activities - Notes			
Year Ending August 31,	Principal	Interest	Total
2018	653,225	284,358	937,583
2019	669,440	263,412	932,852
2020	691,016	241,885	932,901
2021	716,968	216,617	933,585
2022	748,313	190,394	938,707
Thereafter	4,486,070	676,448	5,162,518
Totals	<u>\$ 7,965,032</u>	<u>\$ 1,873,114</u>	<u>\$ 9,838,146</u>

3. Advance Refunding of Debt

On May 19, 2016, the District issued Unlimited Tax Refunding Bonds, Series 2016 totaling \$11,215,000 with an interest rate of 2.96% to advance refund Unlimited Tax Refunding Bonds, Series 2008. The net proceeds of \$11,028,254 (after payment of \$186,746 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, \$11,125,000 of Unlimited Tax Refunding Bonds, Series 2008 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 2008 to reduce its total debt service payments over 23 years by \$2,341,380 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,804,930.

On February 1, 2017, the District issued Unlimited Tax Refunding Bonds, Series 2017 totaling \$7,810,000 with an interest rate of 3.09% to advance refund Unlimited School Building Tax Bonds, Series 2007. The net proceeds of \$8,335,175 (after payment of \$155,354 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, \$8,155,000 of Unlimited School Building Tax Bonds, Series 2007 are considered to be defeased and the liability for those bonds have been removed from long-term debt. The District advance refunded the Unlimited School Building Tax Bonds, Series 2007 to reduce its total debt service payments over 21 years by \$1,204,938 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$952,461.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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4. Capital Leases

Commitments under capitalized lease agreement for facilities and equipment provide for minimum futures of August 31, 2017, as follows:

Year Ending August 31:	
2018	42,467
2019	-
2020	-
2021	-
2022	-
Total Minimum Lease Payments	<u>\$ 42,467</u>
Less Interest Due	<u>(1,236)</u>
Total Minimum Rentals	<u><u>\$ 41,231</u></u>

The effective interest rate on capital leases is 4.057% and 4.156%.

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, 2017, 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	\$ 480,654	\$ 3,088	\$ 10,561	\$ 494,303
Debt Service	\$ -		\$ 1,952	\$ 1,952
Special Revenue	181,194	281,750	-	462,944
Total	<u>\$ 661,848</u>	<u>\$ 284,838</u>	<u>\$ 12,513</u>	<u>\$ 959,199</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 2017, 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. Tuloso-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.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
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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. The information provided in the Notes to the Financial Statements in the 2017 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

Net Pension Liability	Total
Total Pension Liability	\$ 171,797,150,487
Less: Plan Fiduciary Net Position	<u>(134,008,637,473)</u>
Net Pension Liability	<u>\$ 37,788,513,014</u>
Net Position as percentage of Total Pension Liability	-78.00%

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. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2017 as discussed in Note 1 of the TRS 2017 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

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Contribution Rates		
	2016	2017
Member	7.2%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
 Tuloso Midway ISD Employer Contributions	 \$ 587,175	 \$ 588,046
Tuloso Midway ISD Member Contributions	\$ 1,593,234	\$ 1,744,562
Tuloso Midway ISD 2016 NECE On-Behalf Contributions	\$ 1,146,783	\$ 1,244,624

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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
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. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2017, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

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, 2016 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
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

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:	\$ 10,808,165	\$ 6,983,539	\$ 3,739,482

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2017, 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	\$ 6,983,539
State's proportionate share that is associated with the District	14,773,498
Total	<u>\$ 21,757,037</u>

The net pension liability was measured as of August 31, 2016 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, 2015 thru August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was .0184806% which was an increase (decrease) of -.0003975% from its proportion measured as of August 31, 2015.

For the year ended August 31, 2017, Tuloso-Midway Independent School District recognized pension expense of \$1,533,137 and revenue of \$1,533,137 for support provided by the State.

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

Economic Assumptions

- . The inflation assumption was decreased from 3.00% to 2.50%.
- . The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- . In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- . The payroll growth assumption was lowered from 3.50% to 2.50%.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

Mortality Assumptions

- . The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- . The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- . The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

- . Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- . There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- . Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- . Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- . For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- . The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

At August 31, 2017, 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:

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 109,501	\$ 208,524
Changes in actuarial assumptions	212,846	193,574
Difference between projected and actual investment earnings	591,351	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,744,383	497
Total as of August 31, 2016 measurement date	2,658,081	402,595
Contributions paid to TRS subsequent to the measurement date	588,046	-
Total	\$ 3,246,127	\$ 402,595

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
2018	404,592
2019	404,592
2020	781,785
2021	375,609
2022	255,288
Thereafter	33,620

At June 30, 2017, the District reported Deferred Resource Outflows and Deferred Resource Inflows for the TRS pension plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Total net amounts as of August 31, 2016 Measurement Date	\$ 2,658,081	\$ 402,595
Contributions made subsequent to the Measurement Date	\$ 588,046	\$ -
2016 Amortization of Deferred Outflows and Inflows	\$ -	\$ -
Reported by District	\$ 3,246,127	\$ 402,595

L. 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.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

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 2017–2015.

Contribution Rates						
Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2017	.65%	\$147,269	1.0%	\$226,567	.55%	\$124,612
2016	.65%	\$143,825	1.0%	\$221,281	.55%	\$121,706
2015	.65%	\$134,222	1.0%	\$206,495	.55%	\$113,576

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 2017, 2016, and 2015 were \$70,467, \$86,485, and \$86,485 respectively.

M. Employee Health Care Coverage

During the year ended August 31, 2017, 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.

The contract between the District and the licensed insurer is renewable October 1, 2017, and terms of coverage and premium costs are included in the contractual provisions.

N. 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.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

O. 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	\$ 614,114	\$ -	\$ 136,509	750,623
Various	-	-	-	-
Total Unearned Revenue	\$ 614,114	\$ -	\$ 136,509	750,623

P. Unearned Revenues

Unearned Revenues at year end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
State & Federal Governments	\$ 1,120	\$ 86,036	\$ -	\$ 87,156
Total Unearned Revenue	\$ 1,120	\$ 86,036	\$ -	\$ 87,156

Q. Tax Abatements

Tax Code Chapter 313 allows public school district 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 has received approximately \$1.3 million from M&G Resins during the current fiscal year. These payments are reported as local revenues in the fund financial statements.

R. 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	\$ 29,433,452	\$ 6,304,351	\$ -	\$ 35,737,803
Penalties, Interest and Other Tax-related Income	237,093	34,669	-	271,762
Investment Income	97,723	52,688	205,795	356,206
Food Sales	-	-	951,700	951,700
Co-curricular Student Activities	109,183	-	510,170	619,353
Other	1,713,978	46,477	-	1,760,455
Total	\$ 31,591,429	\$ 6,438,185	\$ 1,667,665	\$ 39,697,279

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

S. Subsequent Events

Subsequent events have been evaluated through January 9, 2018, which is the date the financial statements were available to be issued.

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 School Building Tax 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 School Building Tax Bonds, Series 2007A 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.

In December 2017 the District was notified that the District's largest tax payer (Flint Hills) had filed suit against the Nueces County Appraisal District in protest of Flint Hills 2017 appraised values for their industrial facility plant seeking a value reduction of approximately \$155 million. Flint Hills has ceased actions regarding their suit filled previously protesting their 2016 appraised values.

On October 24, 2017 M&G Resins filed for bankruptcy protection and has placed their partially constructed manufacturing facility on the market.

T. Prior Period Adjustments

None

U. 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:

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.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

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, 2017

V. 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	\$ 155,668
Pre-paids	449,132
Committed	
Construction	1,855,466
Restricted	
Federal/State Grants	64,979
Retirement of Long Term Debt	1,211,495
Assigned Fund Balances	
Construction	45,050
Capital Expenditures for Equipment	39,635
Other Assigned Fund Balance	491,467
Undesignated/Unassigned	
Unassigned Fund Balance	7,480,911
Total Fund Balances	<u>\$ 11,793,803</u>

W. 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 2016-2017	<u>\$ 898,555</u>
b) Subtract any non-medical expenditures	
Life Insurance	\$ 6,551
Long-term Disability	2,959
c) 2016-2017 Maintenance of Effort	<u>9,510</u> <u>\$ 889,045</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
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-1

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	\$ 31,831,907	\$ 31,831,907	\$ 31,591,429	\$ (240,478)
5800	State Program Revenues	4,333,021	4,352,428	4,404,764	52,336
5900	Federal Program Revenues	500,800	560,800	549,274	(11,526)
5020	Total Revenues	36,665,728	36,745,135	36,545,467	(199,668)
	EXPENDITURES:				
	Current:				
0011	Instruction	19,587,446	19,677,619	19,463,650	213,969
0012	Instructional Resources and Media Services	396,111	383,298	380,140	3,158
0013	Curriculum and Instructional Staff Development	103,997	106,948	64,430	42,518
0021	Instructional Leadership	604,907	553,012	515,853	37,159
0023	School Leadership	1,788,803	1,795,693	1,795,168	525
0031	Guidance, Counseling and Evaluation Services	1,058,742	1,076,638	1,014,156	62,482
0032	Social Work Services	1,000	1,000	891	109
0033	Health Services	379,968	392,435	384,677	7,758
0034	Student (Pupil) Transportation	1,099,556	992,513	919,692	72,821
0036	Extracurricular Activities	1,517,219	1,606,702	1,529,868	76,834
0041	General Administration	1,498,380	1,638,435	1,583,247	55,188
0051	Facilities Maintenance and Operations	5,455,496	5,272,716	5,183,601	89,115
0052	Security and Monitoring Services	325,522	332,615	304,540	28,075
0053	Data Processing Services	548,580	479,913	474,936	4,977
	Debt Service:				
0071	Principal on Long Term Debt	613,586	613,386	613,385	1
0072	Interest on Long Term Debt	250,533	254,626	254,624	2
0073	Bond Issuance Cost and Fees	-	200	200	-
	Capital Outlay:				
0081	Facilities Acquisition and Construction	76,376	76,376	31,326	45,050
	Intergovernmental:				
0091	Contracted Instructional Services Between Schools	957,506	957,506	945,874	11,632
0095	Payments to Juvenile Justice Alternative Ed. Prg.	32,000	34,000	33,746	254
0099	Other Intergovernmental Charges	375,000	409,542	409,542	-
6030	Total Expenditures	36,670,728	36,655,173	35,903,546	751,627
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,000)	89,962	641,921	551,959
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	5,000	5,000	-	(5,000)
1200	Net Change in Fund Balances	-	94,962	641,921	546,959
0100	Fund Balance - September 1 (Beginning)	7,457,097	7,457,097	7,457,098	1
3000	Fund Balance - August 31 (Ending)	\$ 7,457,097	\$ 7,552,059	\$ 8,099,019	\$ 546,960

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, 2017

EXHIBIT G-2

	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.0184806%	0.0188781%	0.0106957%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 6,983,539	\$ 6,673,157	\$ 2,856,969
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	14,773,498	13,686,138	11,728,072
Total	<u>\$ 21,757,037</u>	<u>\$ 20,359,295</u>	<u>\$ 14,585,041</u>
District's Covered-Employee Payroll	\$ 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-Employee Payroll	31.56%	32.78%	19.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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, 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 three 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
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2017

EXHIBIT G-3

	2017	2016	2015
Contractually Required Contribution	\$ 588,046	\$ 587,175	\$ 558,989
Contribution in Relation to the Contractually Required Contribution	(588,046)	(287,175)	(558,989)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ 300,000</u>	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 22,656,661	\$ 22,128,117	\$ 20,650,249
Contributions as a Percentage of Covered-Employee Payroll	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 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "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."

COMBINING SCHEDULES

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2017

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	14,886	7,819	10
1260	Due from Other Funds	-	-	-
1290	Other Receivables	-	-	-
1300	Inventories	-	-	-
1410	Prepayments	-	-	-
1000	Total Assets	<u>\$ 14,886</u>	<u>\$ 7,819</u>	<u>\$ 10</u>
LIABILITIES				
2110	Accounts Payable	\$ 10,757	\$ 5,290	\$ -
2170	Due to Other Funds	4,129	2,529	10
2180	Due to Other Governments	-	-	-
2190	Due to Student Groups	-	-	-
2300	Unearned Revenues	-	-	-
2000	Total Liabilities	<u>14,886</u>	<u>7,819</u>	<u>10</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410	Inventories	-	-	-
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
Committed Fund Balance:				
3510	Construction	-	-	-
Assigned Fund Balance:				
3590	Other Assigned Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 14,886</u>	<u>\$ 7,819</u>	<u>\$ 10</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	288 Haz. Mat. Materials Allotment	410 Instructional Materials Allotment	461 Campus Activity Funds	462 Tuloso Education Foundation	496 County Diabetes Fund
\$ 255,073	\$ -	\$ -	\$ -	\$ -	\$ 491,695	\$ 12,418	\$ 2,488
158,411	-	67	281,750	-	-	-	-
-	-	-	-	-	-	-	-
6,515	-	-	-	-	-	-	-
73,825	-	-	-	-	-	-	-
1,732	-	-	-	-	-	-	-
<u>\$ 495,556</u>	<u>\$ -</u>	<u>\$ 67</u>	<u>\$ 281,750</u>	<u>\$ -</u>	<u>\$ 491,695</u>	<u>\$ 12,418</u>	<u>\$ 2,488</u>
\$ 231,123	\$ -	\$ -	\$ -	\$ -	\$ 2,676	\$ -	\$ -
28,608	-	67	281,750	-	-	-	-
-	-	-	-	-	-	2,695	-
23,196	-	-	-	-	-	-	-
73,825	-	-	-	-	-	9,723	2,488
<u>356,752</u>	<u>-</u>	<u>67</u>	<u>281,750</u>	<u>-</u>	<u>2,676</u>	<u>12,418</u>	<u>2,488</u>
73,825	-	-	-	-	-	-	-
64,979	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	489,019	-	-
<u>138,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>489,019</u>	<u>-</u>	<u>-</u>
<u>\$ 495,556</u>	<u>\$ -</u>	<u>\$ 67</u>	<u>\$ 281,750</u>	<u>\$ -</u>	<u>\$ 491,695</u>	<u>\$ 12,418</u>	<u>\$ 2,488</u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes		Total Nonmajor Special Revenue Funds	655 Capital Projects Fund	695 Capital Projects Fund	699 Capital Projects Fund
ASSETS					
1110	Cash and Cash Equivalents	\$ 761,674	\$ 7	\$ 147,124	\$ 426,107
1240	Receivables from Other Governments	462,943	-	-	-
1260	Due from Other Funds	-	29,899	-	-
1290	Other Receivables	6,515	-	-	-
1300	Inventories	73,825	-	-	-
1410	Prepayments	1,732	-	-	-
1000	Total Assets	<u>\$ 1,306,689</u>	<u>\$ 29,906</u>	<u>\$ 147,124</u>	<u>\$ 426,107</u>
LIABILITIES					
2110	Accounts Payable	\$ 249,846	\$ 9,891	\$ 119,986	\$ 376,556
2170	Due to Other Funds	317,093	-	-	-
2180	Due to Other Governments	2,695	20,000	-	-
2190	Due to Student Groups	23,196	-	-	-
2300	Unearned Revenues	86,036	-	-	-
2000	Total Liabilities	<u>678,866</u>	<u>29,891</u>	<u>119,986</u>	<u>376,556</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	73,825	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	64,979	-	-	-
Committed Fund Balance:					
3510	Construction	-	15	27,138	49,551
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	489,019	-	-	-
3000	Total Fund Balances	<u>627,823</u>	<u>15</u>	<u>27,138</u>	<u>49,551</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,306,689</u>	<u>\$ 29,906</u>	<u>\$ 147,124</u>	<u>\$ 426,107</u>

Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 573,238	\$ 1,334,912
-	462,943
29,899	29,899
-	6,515
-	73,825
-	1,732
<u>\$ 603,137</u>	<u>\$ 1,909,826</u>
\$ 506,433	\$ 756,279
-	317,093
20,000	22,695
-	23,196
-	86,036
<u>526,433</u>	<u>1,205,299</u>
-	73,825
-	64,979
76,704	76,704
-	489,019
<u>76,704</u>	<u>704,527</u>
<u>\$ 603,137</u>	<u>\$ 1,909,826</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, 2017

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	458,797	693,104	9,586
5020	Total Revenues	458,797	693,104	9,586
EXPENDITURES:				
Current:				
0011	Instruction	432,749	344,250	9,586
0013	Curriculum and Instructional Staff Development	12,982	9,925	-
0021	Instructional Leadership	1,819	3,114	-
0023	School Leadership	4,028	-	-
0031	Guidance, Counseling and Evaluation Services	-	237,800	-
0034	Student (Pupil) Transportation	-	97,640	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0051	Facilities Maintenance and Operations	-	-	-
0052	Security and Monitoring Services	-	-	-
0061	Community Services	7,219	375	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-
6030	Total Expenditures	458,797	693,104	9,586
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	288 Haz. Mat. Materials Allotment	410 Instructional Materials Allotment	461 Campus Activity Funds	462 Tuloso Education Foundation	496 County Diabetes Fund
\$ 705,828	\$ -	\$ -	\$ -	\$ -	\$ 902,308	\$ 47,291	\$ 1,788
9,703	-	-	-	103,957	-	-	-
1,562,031	26,442	95,723	329,630	-	-	-	-
2,277,562	26,442	95,723	329,630	103,957	902,308	47,291	1,788
-	26,442	19,272	-	103,957	-	47,291	-
-	-	69,079	-	-	-	-	-
-	-	3,000	-	-	-	-	-
-	-	3,122	-	-	-	-	-
-	-	1,250	-	-	-	-	-
-	-	-	-	-	-	-	-
2,193,523	-	-	-	-	-	-	-
-	-	-	-	-	927,656	-	-
40,276	-	-	-	-	1,267	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,788
-	-	-	329,630	-	-	-	-
2,233,799	26,442	95,723	329,630	103,957	928,923	47,291	1,788
43,763	-	-	-	-	(26,615)	-	-
95,041	-	-	-	-	515,634	-	-
\$ 138,804	\$ -	\$ -	\$ -	\$ -	\$ 489,019	\$ -	\$ -

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		Total Nonmajor Special Revenue Funds	655 Capital Projects Fund	695 Capital Projects Fund	699 Capital Projects Fund
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,657,215	\$ 64	\$ 5,152	\$ 5,234
5800	State Program Revenues	113,660	-	-	-
5900	Federal Program Revenues	3,175,313	-	-	-
5020	Total Revenues	<u>4,946,188</u>	<u>64</u>	<u>5,152</u>	<u>5,234</u>
EXPENDITURES:					
Current:					
0011	Instruction	983,547	10	23,174	-
0013	Curriculum and Instructional Staff Development	91,986	-	-	-
0021	Instructional Leadership	7,933	-	-	-
0023	School Leadership	7,150	-	-	-
0031	Guidance, Counseling and Evaluation Services	239,050	-	-	-
0034	Student (Pupil) Transportation	97,640	-	-	-
0035	Food Services	2,193,523	-	-	-
0036	Extracurricular Activities	927,656	-	118,640	-
0051	Facilities Maintenance and Operations	41,543	-	308	12,679
0052	Security and Monitoring Services	-	2,346	5,456	-
0061	Community Services	9,382	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	329,630	(2,307)	398,365	669,429
6030	Total Expenditures	<u>4,929,040</u>	<u>49</u>	<u>545,943</u>	<u>682,108</u>
1200	Net Change in Fund Balance	17,148	15	(540,791)	(676,874)
0100	Fund Balance - September 1 (Beginning)	<u>610,675</u>	<u>-</u>	<u>567,929</u>	<u>726,425</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 627,823</u>	<u>\$ 15</u>	<u>\$ 27,138</u>	<u>\$ 49,551</u>

Total Nonmajor Capital Project Funds		Total Nonmajor Governmental Funds	
\$	10,450	\$	1,667,665
	-		113,660
	-		3,175,313
	<u>10,450</u>		<u>4,956,638</u>
	23,184		1,006,731
	-		91,986
	-		7,933
	-		7,150
	-		239,050
	-		97,640
	-		2,193,523
	118,640		1,046,296
	12,987		54,530
	7,802		7,802
	-		9,382
	<u>1,065,487</u>		<u>1,395,117</u>
	<u>1,228,100</u>		<u>6,157,140</u>
	(1,217,650)		(1,200,502)
	<u>1,294,354</u>		<u>1,905,029</u>
\$	<u>76,704</u>	\$	<u>704,527</u>

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REQUIRED TEA SCHEDULES

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2017

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	\$ 1.040000	\$ 0.242200	\$ 1,340,986,133
2009	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 (School year under audit)	1.170000	0.238900	2,690,525,631
1000 TOTALS			

(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2017
\$ 140,463	\$ -	\$ 1,058	\$ 207	\$ (34,110)	\$ 105,088
42,056	-	424	121	(9)	41,502
31,892	-	431	125	(261)	31,075
72,760	-	1,699	237	(10)	70,814
121,307	-	7,291	1,623	(34)	112,359
62,131	-	6,964	1,723	2,146	55,590
95,020	-	7,823	2,110	1,957	87,044
100,698	-	12,991	3,637	571	84,641
457,079	-	203,125	51,294	(34,534)	168,126
-	36,347,528	29,191,647	6,243,274	(535,712)	376,895
<u>\$ 1,123,406</u>	<u>\$ 36,347,528</u>	<u>\$ 29,433,453</u>	<u>\$ 6,304,351</u>	<u>\$ (599,996)</u>	<u>\$ 1,133,134</u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND AS OF AUGUST 31, 2017

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/17 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 8,099,019
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 530,975	
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)	87,133	
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.	6,112,000	
8	Estimate of delayed payments from state sources (58xx).	4,260,000	
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)	2,000,000	
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>12,990,108</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u><u>\$ (4,891,089)</u></u>

Line 8 is from other entities payments expected to be delayed from Chapter 313 entities

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, 2017

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	\$ 800,000	\$ 800,000	\$ 705,828	\$ (94,172)
5800 State Program Revenues	10,000	10,000	9,703	(297)
5900 Federal Program Revenues	1,485,000	1,508,335	1,562,031	53,696
5020 Total Revenues	2,295,000	2,318,335	2,277,562	(40,773)
EXPENDITURES:				
0035 Food Services	2,275,000	2,271,335	2,193,523	77,812
0051 Facilities Maintenance and Operations	20,000	47,000	40,276	6,724
6030 Total Expenditures	2,295,000	2,318,335	2,233,799	84,536
1200 Net Change in Fund Balances	-	-	43,763	43,763
0100 Fund Balance - September 1 (Beginning)	95,041	95,041	95,041	-
3000 Fund Balance - August 31 (Ending)	\$ 95,041	\$ 95,041	\$ 138,804	\$ 43,763

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, 2017

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	\$ 6,328,150	\$ 6,328,150	\$ 6,391,710	\$ 63,560
5800	State Program Revenues	60,000	60,000	60,456	456
5020	Total Revenues	6,388,150	6,388,150	6,452,166	64,016
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	3,701,000	3,846,000	3,846,000	-
0072	Interest on Long Term Debt	2,538,835	2,535,751	2,535,750	1
0073	Bond Issuance Cost and Fees	15,000	170,354	155,330	15,024
6030	Total Expenditures	6,254,835	6,552,105	6,537,080	15,025
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	133,315	(163,955)	(84,914)	79,041
OTHER FINANCING SOURCES (USES):					
7914	Non-Current Loans	-	7,810,000	7,810,000	-
7916	Premium or Discount on Issuance of Bonds	-	680,529	680,528	(1)
8949	Other (Uses)	-	(8,155,000)	(8,155,000)	-
7080	Total Other Financing Sources (Uses)	-	335,529	335,528	(1)
1200	Net Change in Fund Balances	133,315	171,574	250,614	79,040
0100	Fund Balance - September 1 (Beginning)	960,881	960,881	960,881	-
3000	Fund Balance - August 31 (Ending)	\$ 1,094,196	\$ 1,132,455	\$ 1,211,495	\$ 79,040

FEDERAL AWARDS SECTION

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**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 9, 2018

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, 2017 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 9, 2018.

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 9, 2018

A handwritten signature in black ink, appearing to read "ER Garza", with a stylized flourish at the end.

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017

None

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

None

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

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	_X_. No
Significant deficiencies identified not considered being material weaknesses?	____. Yes	_X_. No
Noncompliance material to financial statements noted?	____. Yes	_X_. No

Federal Awards

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

IDEA – Part B, Formula 84.027, Preschool, 84.173

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, 2017

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, 2017

None

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**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 9, 2018

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, 2017. 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, 2017.

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.

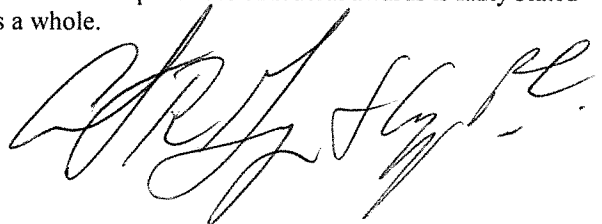
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material 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, 2017, 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 9, 2018, 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 9, 2018



TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
<u>Direct Programs</u>			
Hazard Mitigation Grant Program	97.039	DR-1791-349	\$ 329,630
Total Direct Programs			\$ 329,630
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			\$ 329,630
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17 - 610101178912	\$ 458,797
*IDEA - Part B, Formula	84.027	17 - 660001178912660	693,104
*IDEA - Part B, Preschool	84.173	17 - 661001178912610	9,586
Total Special Education Cluster (IDEA)			702,690
Career and Technical - Basic Grant	84.048	17 - 420006178912	26,442
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17 - 694501178912	95,723
Total Passed Through State Department of Education			\$ 1,283,652
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 1,283,652
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		\$ 9,775
Total Passed Through Texas Dept of Human Services			\$ 9,775
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 9,775
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 537,027
*National School Lunch Program - Cash Assistance	10.555		886,947
*National School Lunch Prog. - Non-Cash Assistance	10.555		138,056
Total CFDA Number 10.555			1,025,030
Total Child Nutrition Cluster			1,562,030
Total Passed Through the State Department of Agriculture			\$ 1,562,030
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 1,562,030
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,185,087

*Clustered Programs

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2017

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, 2017. 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 2017

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.	6983539
SF13	Pension Expense (6147) at fiscal year-end.	1533137

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