

**TULOSO-MIDWAY INDEPENDENT  
SCHOOL DISTRICT**

**Annual Financial Report  
For the Year Ended August 31, 2016**

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

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



Tuloso-Midway Independent School District  
Annual Financial Report  
For the Year Ended August 31, 2016

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For the Year Ended August 31, 2016

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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, 2016 at a meeting of the Board of Trustees of such school district on the 15th day of December 2016.

\_\_\_\_\_  
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)

CERTIFICATE OF BOARD

Tuloso-Midway Independent School District  
Name of School District

Nueces  
County

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(attach list as necessary)



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

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

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

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

**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tuloso Midway Independent School District as of and for the year ended August 31, 2016 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, 2016 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 December 9, 2016 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  
December 9, 2016

A handwritten signature in black ink, appearing to read "ER Garza & Co. PC CPA's", is written over a horizontal line.

## 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, 2016. 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 \$25,143,611 (Exhibit A-1, B-1) at August 31, 2016.
- During the year, the District's expenditures were \$10,748,031 (Exhibit C-3) more, before extraordinary items, than the \$48,098,317 generated in taxes and other revenues for governmental activities.
- Total cost of all of the District's programs was \$47,051,646, excluding the enterprise funds (Exhibit B-1) which was \$3,270,355 more than the previous year.
- The General Fund reported a total fund balance this year of \$7,457,097. (Exhibit C-1, C-3).

#### Fund Financial Statements

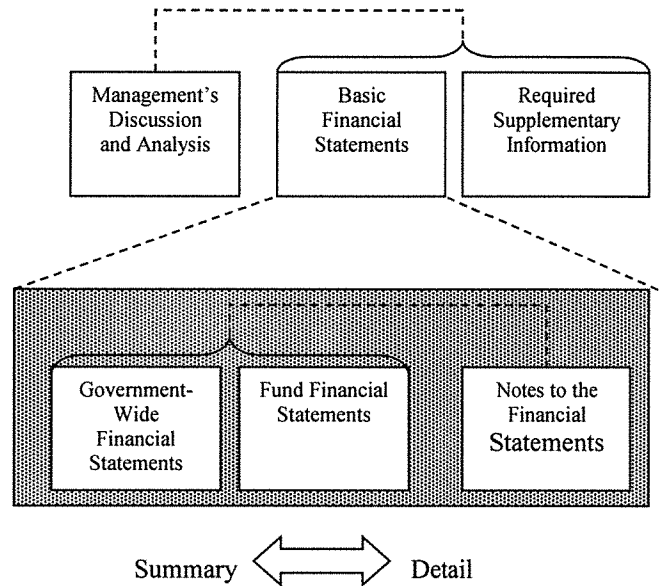
- The general fund reported a total fund balance this year of \$7,457,097 approximately 88.5% of this total amount, \$6,601,440 is unassigned. The unassigned fund balance is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,601,440 or 18.64% of the current fiscal year's total general fund expenditures and transfers out.
- On December 30, 2010 the District issued \$2.5 million in maintenance tax notes to fund the reconstruction of 22 tennis courts at the middle and high school. The tennis courts were originally constructed with bond program funds but the District was not able to utilize the facilities as they were deemed unfit for use due to significant cracking. Due to increased design and construction costs the District has only re-constructed the 12 tennis courts at the High School with enhanced lighting and spectator seating. In February 2014, through a mediation agreement with the original tennis court architect, design engineer and contractor, the District received a \$2.3 million settlement and release of all recorded debts payable for the original project in the amount of \$124,046. These funds were recognized as a special item and designated to the capital projects fund to be used for the reconstruction of the ten remaining damaged Middle School tennis courts.
- 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 increased property values the District was required to decrease the M&O tax rate to the required calculated effective tax rate of \$1.04 for 2013-2014, \$1.09 for 2014-2015 and \$1.10560 for 2015-2016. The District increased the I&S tax rate to \$0.2771 for 2013-2014, \$0.3045 for 2014-2015 and \$0.27180 for 2015-2016.
- On November 8, 2011, the District voters approved a \$36 million dollar bond package for capital improvements across the District. On July 15, 2012 the first bond sale of \$10 million was incurred. A second bond sale of \$15.3 million occurred on June 24, 2013. On April 14, 2014 the third bond sale of \$9.3 million occurred. The final \$500,000 in approved bonds were sold January 8, 2015.

## 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>	<b>Fund Statements</b>			
	<b>Government-Wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Fund</b>
<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 \$25,274,223 at August 31, 2016. (See Exhibit A-1, B-1).

The \$6,601,440 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
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ 2,240,868	\$ 135,053	\$ 2,375,921
1120	Current Investments	7,800,090	-	7,800,090
1220	Property Taxes Receivable (Delinquent)	1,123,406	-	1,123,406
1230	Allowance for Uncollectible Taxes	(376,341)	-	(376,341)
1240	Due from Other Governments	3,507,338	-	3,507,338
1250	Accrued Interest	-	-	-
1260	Internal Balances	-	-	-
1267	Due from Fiduciary Funds	-	-	-
1290	Other Receivables, net	12,622	-	12,622
1300	Inventories	124,323	-	124,323
1490	Other Current Assets	419,936	-	419,936
	Capital Assets:			
1510	Land	995,732	-	995,732
1520	Buildings, Net	77,354,464	-	77,354,464
1530	Furniture and Equipment, Net	1,826,557	-	1,826,557
1580	Construction in Progress	10,192,625	-	10,192,625
1000	Total Assets	105,221,620	135,053	105,356,673
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
1701	Deferred Charge for Refunding	-	-	-
1705	Deferred Outflow Related to TRS	3,636,799	-	3,636,799
1700	Total Deferred Outflows of Resources	3,636,799	-	3,636,799
<b>LIABILITIES</b>				
2110	Account Payable	2,119,184	-	2,119,184
2140	Interest Payable	158,484	-	158,484
2150	Payroll Deductions & Withholdings	112,023	4,441	116,464
2160	Accrued Wages Payable	-	-	-
2180	Due to Other Governments	971,776	-	971,776
2190	Due to Others	22,193	-	22,193
2200	Accrued Expenses	201	-	201
2300	Unearned Revenue	38,368	-	38,368
	Noncurrent Liabilities			
2501	Due Within One Year	4,286,215	-	4,286,215
2502	Due in More Than One Year	68,836,702	-	68,836,702
2540	Net Pension Liability (District's Share)	6,673,157	-	6,673,157
2000	Total Liabilities	83,218,303	4,441	83,222,744
<b>DEFERRED INFLOW OF RESOURCES</b>				
2605	Deferred Inflow Related to TRS	496,505	-	496,505
2600	Total Deferred Inflows of Resources	496,505	-	496,505
<b>NET POSITION</b>				
3200	Net Investment in Capital Assets	17,126,158	-	17,126,158
	Restricted:			
3820	Restricted for Federal and State Programs	617,849	-	617,849
3850	Restricted for Debt Service	742,784	-	742,784
3860	Restricted for Capital Projects	1,479,353	-	1,479,353
3880	Restricted for Scholarships	-	-	-
3890	Restricted for Other Purposes	1,163,725	-	1,163,725
3900	Unrestricted	4,013,742	130,612	4,144,354
3000	Total Net Position	\$ 25,143,611	\$ 130,612	\$ 25,274,223

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



### Change in net position

The District's total governmental revenues were \$49,395,772. A portion, 66.6%, of the District's governmental revenue, comes from taxes. Approximately 18.3% comes from Operating Grants and Contributions, while only 3.5% relates to charges for services. (See Exhibit B-1)

The total cost of all governmental programs and services was \$47,051,646. (Exhibit B-1)

### Governmental Activities

- The Maintenance and Operation tax rate, in compliance with State funding laws, is \$1.10560 per \$100 value, which is an increase due to effective tax rate calculations based upon an 8.75% increase in net taxable property values and the District not accessing the maximum rate of \$1.17 allowed in 14-15. The Interest and Sinking tax rate decreased to \$.27180. The total tax rate was decreased to 1.3774 in 2016 from \$1.3945 in 2015 per \$100. Collections of tax revenues remain consistent.

	Governmental		Business		Total		Net Difference
	2016	2015	2016	2015	2016	2015	2016-2015
Program Revenues:							
Charges for Services	\$ 1,740,994	\$ 2,325,211	\$ 235,645	\$ 247,058	\$ 1,976,639	\$ 2,572,269	\$ (595,630)
Operating Grants and Contributions	9,088,274	6,536,583	-	-	9,088,274	6,536,583	2,551,691
General Revenues							
Property Taxes	32,945,331	30,671,771	-	-	32,945,331	30,671,771	2,273,560
State Aid-Formula	5,315,878	6,589,976	-	-	5,315,878	6,589,976	(1,274,098)
Investment Earnings	83,869	59,504	-	-	83,869	59,504	24,365
Other	221,426	121	-	-	221,426	121	221,305
Total Revenues	49,395,772	46,183,166	235,645	247,058	49,631,417	46,430,224	3,201,193
Expenses							
Instruction	23,146,717	21,045,135	-	-	23,146,717	21,045,135	2,101,582
Instructional Res. Media Serv.	421,740	395,946	-	-	421,740	395,946	25,794
Curriculum Dev. and							
Instructional Staff Develop.	165,953	160,097	-	-	165,953	160,097	5,856
Instructional Leadership	609,084	506,251	-	-	609,084	506,251	102,833
School Leadership	1,993,626	1,911,502	-	-	1,993,626	1,911,502	82,124
Guidance, Counseling and							
Evaluation Services	1,347,764	1,308,662	-	-	1,347,764	1,308,662	39,102
Social Work Services	16,555	14,504	-	-	16,555	14,504	2,051
Health Services	339,804	318,117	-	-	339,804	318,117	21,687
Student (Pupil) Transportation	1,223,657	1,169,114	-	-	1,223,657	1,169,114	54,543
Food Services	2,468,845	2,481,984	-	-	2,468,845	2,481,984	(13,139)
Curricular/Extracurr. Activities	1,461,289	2,402,125	-	-	1,461,289	2,402,125	(940,836)
General Administration	1,711,782	1,513,606	-	-	1,711,782	1,513,606	198,176
Plant Maint. & Operations	5,309,161	4,957,522	-	-	5,309,161	4,957,522	351,639
Security and Monitoring	253,127	302,688	-	-	253,127	302,688	(49,561)
Data Processing Services	645,347	469,606	-	-	645,347	469,606	175,741
Community Service	9,927	11,425	-	-	9,927	11,425	(1,498)
Debt Service	4,234,073	4,254,276	-	-	4,234,073	4,254,276	(20,203)
TMPM After School Care	-	-	214,684	208,878	214,684	208,878	5,806
Capital Outlay - non-cap.	-	-	-	-	-	-	-
Contracted Instruct. Services	302,861	-	-	-	302,861	-	302,861
Payments to Shared Service	-	194,944	-	-	-	194,944	(194,944)
Payments to Juvenile Justice	35,488	32,863	-	-	35,488	-	35,488
Alternative Ed. Program	-	-	-	-	-	-	-
Other Intergovernmental	354,846	330,375	200,000	-	554,846	330,375	224,471
Total Expenses	46,051,646	43,780,742	414,684	208,878	46,466,330	43,956,757	2,474,085
Transfers							
Increase (Dec.) in Net Position	3,344,126	2,402,424	(179,039)	38,180	3,165,087	2,440,604	724,483
Net Position Beginning	22,799,485	23,634,019	309,651	271,471	23,109,136	23,905,490	(796,354)
Prior Period Adjustment	-	(3,236,958)	-	-	-	(3,236,958)	3,236,958
Net Position Ending	\$ 26,143,611	\$ 22,799,485	\$ 130,612	\$ 309,651	\$ 26,274,223	\$ 23,109,136	\$ 3,165,087

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 \$47,051,646. (Exhibit B-1)
- However, the amount that our taxpayers paid for these activities through property taxes was only \$32,945,331. (Exhibit B-1)
- Some of the cost was paid by those who directly benefited from the programs \$1,740,994, or by grants and contributions \$9,088,274. (Exhibit B-1)

**Table A-3**  
**Net Cost of Selected District Functions**

	Total Cost of			Net Cost of		
	Services		%	Services		%
	2016	2015	Change	2016	2015	Change
Instruction	\$ 23,146,717	\$ 21,045,135	9.99%	\$ (21,057,196)	\$ (18,396,666)	14.46%
School Leadership	1,993,626	1,911,502	4.30%	(1,898,167)	(1,815,668)	4.54%
Plant maintenance & Operations	5,309,161	4,957,522	7.09%	(5,152,602)	(4,826,659)	6.75%
Debt Service-Interest & Fiscal Charges	4,234,073	4,254,276	-0.47%	(4,100,437)	(4,254,276)	-3.62%

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from general governmental fund types (Exhibit C-3) totaled \$48,098,317, 73.25% of these revenues are derived from local property taxes and other intermediate sources. Other sources include interest income which reflects a minimum amount of revenue due to the depressed market and low returns on the District's investments.

### General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$1,442,765 above 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 \$7,457,097 differs from the General Fund's budgetary fund balance of \$7,650,809 reported in the budgetary comparison schedule (Exhibit G-1). This is due to property tax collections and state revenues being less than expected and budgeted expenditures planned for the year not being fully expended as of August 31, 2016.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2016, the District had invested a net \$90,369,379 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) of \$12,171,699 over last year due to 2015-2016 new construction projects. The \$36 million bond program construction is still in progress with the final projects completed by the end of 2016.

<b>Table A-4</b>			
<b>Tuloso-Midway Independent School District's Capital Assets</b>			
	<b>Governmental Activities</b>		<b>Total Percentage Change</b>
	<b>2016</b>	<b>2015</b>	<b>2016-2015</b>
Land	\$ 995,733	\$ 964,228	3.3%
Construction in Progress	10,192,625	7,650,712	33.2%
Buildings and improvements	110,997,621	101,406,192	9.5%
Furniture & Equipment	5,347,707	5,136,232	4.1%
Vehicles	2,876,676	2,866,265	0.4%
Capital Leases	246,357	461,390	-46.6%
Total at historical cost	130,656,719	118,485,019	10.3%
Total accumulated	(40,287,340)	(36,878,768)	9.2%
Net capital assets	<u>\$ 90,369,379</u>	<u>\$ 81,606,251</u>	<u>10.7%</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 \$73,122,917 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.

<b>Table A-5</b>			
<b>Tuloso-Midway Independent School District's Long Term Debt</b>			
	<b>Governmental Activities</b>		<b>Total Percentage Change</b>
	<b>2016</b>	<b>2015</b>	<b>2016-2015</b>
Leases Payable	\$ 81,261	\$ 20,281	300.68%
Bonds Payable	67,255,000	71,410,000	-5.82%
Accretion Payable	-	-	0.00%
Maintenance Tax Note	3,228,386	3,576,202	-9.73%
Premium	2,437,024	645,393	277.60%
Leave Liability	121,246	120,425	0.68%
Total bonds & leases	<u>\$ 73,122,917</u>	<u>\$ 75,772,301</u>	<u>-3.50%</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 79<sup>th</sup> 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.
- Appraised values for the October 2015 tax levy increased \$193.6 million or 8.75% over the prior year (Exhibit J-1). These are primarily due to increases in industrial values in the District.
- The District experienced an October 2015 snapshot enrollment decrease of 33 students (3,883 to 3,850) for the 2015-16 year. Average Daily Attendance (ADA) decreased 20.482 (3,659.107 to 3,638.625) for a .56% reduction. October 2016 snapshot enrollment is 3,850 (0 enrollment change).
- General Fund spending per student (October AEIS snapshot enrollment) increased from \$8,171 to \$8,670 from 2014-2015 to 2015-2016.
- Due to continued rising property values the District paid Chapter 41 recapture amounts of \$0- (2013-2014), \$194,944 (2014-2015) and \$302,861 (2015-2016).

After three years of significant property value increases the 2015 property values reflected virtually no increase, however the 2016 property values once again increased \$193.6 million or 8.75%. Since the District could have accessed the TRE adopted maximum M&O rate of \$1.17 during 14-15 but chose to stay at \$1.09 even with the significant tax value increase was able to raise the M&O rate to an effective rate of \$1.1056 resulting in an increase in State revenues of \$613,000 (after recapture) for 15-16 and an increase in current year property tax collections of \$2.3 million. All employee classifications received across the board raises for 15-16.

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.

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. Another industrial entity has applied for another Section 313 agreement with the District. The estimated value of this planned facility is \$400 million.

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 4<sup>th</sup>, 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).

The Tuloso Midway Independent School District held a bond election on November 8, 2011. The bond initiative was approved by a 62%-38% margin. The \$36 million dollar bond program consists of new construction, land purchases, A/C replacements, roof replacements, building renovations and security system upgrades. The final two major projects, the new agricultural facility and the intermediate school 16 classroom addition, are scheduled to be completed in the Fall 2016. Due to increased construction costs and increases in the scope of construction projects and renovations \$700,000 of General Fund Balance was transferred to the \$36 million Bond Fund during 2014-2015 and \$2,719,350 transferred during 2015-2016. All authorized bonds for the 2011 bond program were sold as of the 2014-2015 fiscal year.

In 2011 the District applied for grants from FEMA to construct two dome facilities. On December 3, 2012 the District was notified of available funding for both buildings requested to be awarded in July 2013. The grant requires the District to fund 25% of eligible costs of the base building (foundation, walls, and roof) and 100% of the interior. A 20,000 square foot facility was completed at the High School during 2015-2016, while a second 12,000 square foot dome structure is under construction at the Intermediate Elementary campus and is scheduled to be completed in the fall of 2016. During 2013-2014 the District committed and transferred \$3,000,000 from the General Fund Balance to provide funds toward the District's share of construction and other non-reimbursable furnishing costs.

#### **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, 2016

EXHIBIT A-1

		1	2	3
		Primary Government		
Data				
Control			Business	
Codes		Governmental	Type	
		Activities	Activities	Total
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ 2,240,868	\$ 135,053	\$ 2,375,921
1120	Current Investments	7,800,090	-	7,800,090
1220	Property Taxes Receivable (Delinquent)	1,123,406	-	1,123,406
1230	Allowance for Uncollectible Taxes	(376,341)	-	(376,341)
1240	Due from Other Governments	3,507,338	-	3,507,338
1290	Other Receivables, net	12,622	-	12,622
1300	Inventories	124,323	-	124,323
1410	Prepayments	419,936	-	419,936
	Capital Assets:			
1510	Land	995,732	-	995,732
1520	Buildings, Net	77,354,464	-	77,354,464
1530	Furniture and Equipment, Net	1,710,142	-	1,710,142
1550	Leased Property Under Capital Leases, Net	116,415	-	116,415
1580	Construction in Progress	10,192,625	-	10,192,625
1000	Total Assets	105,221,620	135,053	105,356,673
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
1705	Deferred Outflow Related to TRS	3,636,799	-	3,636,799
1700	Total Deferred Outflows of Resources	3,636,799	-	3,636,799
<b>LIABILITIES</b>				
2110	Accounts Payable	2,137,365	-	2,137,365
2140	Interest Payable	158,484	-	158,484
2150	Payroll Deductions & Withholdings	6,390	-	6,390
2160	Accrued Wages Payable	105,633	4,441	110,074
2180	Due to Other Governments	971,776	-	971,776
2190	Due to Student Groups	22,193	-	22,193
2200	Accrued Expenses	201	-	201
2300	Unearned Revenue	38,368	-	38,368
	Noncurrent Liabilities			
2501	Due Within One Year	4,286,215	-	4,286,215
2502	Due in More Than One Year	68,818,521	-	68,818,521
2540	Net Pension Liability (District's Share)	6,673,157	-	6,673,157
2000	Total Liabilities	83,218,303	4,441	83,222,744
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2605	Deferred Resource Inflow for TRS	496,505	-	496,505
2600	Total Deferred Inflows of Resources	496,505	-	496,505
<b>NET POSITION</b>				
3200	Net Investment in Capital Assets	17,126,158	-	17,126,158
	Restricted:			
3820	Restricted for Federal and State Programs	617,849	-	617,849
3850	Restricted for Debt Service	742,784	-	742,784
3860	Restricted for Capital Projects	1,479,353	-	1,479,353
3890	Restricted for Other Purposes	1,163,725	-	1,163,725
3900	Unrestricted	4,013,742	130,612	4,144,354
3000	Total Net Position	\$ 25,143,611	\$ 130,612	\$ 25,274,223

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, 2016

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 23,146,717	\$ -	\$ 2,077,626
12 Instructional Resources and Media Services	421,740	-	22,200
13 Curriculum and Staff Development	165,953	-	100,474
21 Instructional Leadership	609,084	-	32,050
23 School Leadership	1,993,626	-	95,459
31 Guidance, Counseling and Evaluation Services	1,347,764	-	276,470
32 Social Work Services	16,555	-	-
33 Health Services	339,804	-	17,604
34 Student (Pupil) Transportation	1,223,657	-	44,925
35 Food Services	2,468,845	773,078	2,213,090
36 Extracurricular Activities	2,461,289	954,320	888,855
41 General Administration	1,711,782	-	48,758
51 Facilities Maintenance and Operations	5,309,161	-	156,559
52 Security and Monitoring Services	253,127	13,596	4,246
53 Data Processing Services	645,347	-	25,440
61 Community Services	9,927	-	9,760
72 Debt Service - Interest on Long Term Debt	4,100,437	-	-
73 Debt Service - Bond Issuance Cost and Fees	133,636	-	-
81 Capital Outlay	-	-	3,074,758
91 Contracted Instructional Services Between Schools	302,861	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	35,488	-	-
99 Other Intergovernmental Charges	354,846	-	-
[TG] Total Governmental Activities:	47,051,646	1,740,994	9,088,274
BUSINESS-TYPE ACTIVITIES:			
01 Enterprise Funds - Locally Defined	214,684	235,645	-
[TB] Total Business-Type Activities:	214,684	235,645	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 47,266,330	\$ 1,976,639	\$ 9,088,274
Data Control Codes	General Revenues:		
MT	Taxes:		
DT	Property Taxes, Levied for General Purposes		
GC	Property Taxes, Levied for Debt Service		
IE	Grants and Contributions not Restricted		
MI	Investment Earnings		
FR	Miscellaneous Local and Intermediate Revenue		
TR	Transfers In (Out)		
CN	Total General Revenues & Transfers		
NB	Change in Net Position		
NE	Net Position - Beginning		
	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
\$ (21,069,091)	\$ -	\$ (21,069,091)
(399,540)	-	(399,540)
(65,479)	-	(65,479)
(577,034)	-	(577,034)
(1,898,167)	-	(1,898,167)
(1,071,294)	-	(1,071,294)
(16,555)	-	(16,555)
(322,200)	-	(322,200)
(1,178,732)	-	(1,178,732)
517,323	-	517,323
(618,114)	-	(618,114)
(1,663,024)	-	(1,663,024)
(5,152,602)	-	(5,152,602)
(235,285)	-	(235,285)
(619,907)	-	(619,907)
(167)	-	(167)
(4,100,437)	-	(4,100,437)
(133,636)	-	(133,636)
3,074,758	-	3,074,758
(302,861)	-	(302,861)
(35,488)	-	(35,488)
(354,846)	-	(354,846)
(36,222,378)	-	(36,222,378)
-	20,961	20,961
-	20,961	20,961
(36,222,378)	20,961	(36,201,417)
27,707,077	-	27,707,077
5,238,254	-	5,238,254
5,315,878	-	5,315,878
83,869	-	83,869
21,426	-	21,426
200,000	(200,000)	-
38,566,504	(200,000)	38,366,504
2,344,126	(179,039)	2,165,087
22,799,485	309,651	23,109,136
\$ 25,143,611	\$ 130,612	\$ 25,274,223

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2016

Data Control Codes	10 General Fund	Haz. Mit. FEMA Fund	50 Debt Service Fund
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 1,048,810	\$ 198,356	\$ -
1120 Investments - Current	3,530,274	-	954,992
1220 Property Taxes - Delinquent	909,406	-	214,000
1230 Allowance for Uncollectible Taxes (Credit)	(304,651)	-	(71,690)
1240 Receivables from Other Governments	389,560	2,876,402	5,890
1260 Due from Other Funds	3,315,967	-	-
1290 Other Receivables	2,118	-	-
1300 Inventories	102,873	-	-
1410 Prepayments	419,936	-	-
1000 Total Assets	<u>\$ 9,414,293</u>	<u>\$ 3,074,758</u>	<u>\$ 1,103,192</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 166,757	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	6,390	-	-
2160 Accrued Wages Payable	105,633	-	-
2170 Due to Other Funds	99,723	3,074,758	-
2180 Due to Other Governments	971,776	-	-
2190 Due to Student Groups	-	-	-
2200 Accrued Expenditures	201	-	-
2300 Unearned Revenues	1,961	-	-
2000 Total Liabilities	<u>1,352,441</u>	<u>3,074,758</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	604,755	-	142,311
2600 Total Deferred Inflows of Resources	<u>604,755</u>	<u>-</u>	<u>142,311</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	102,873	-	-
3430 Prepaid Items	419,936	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	-	960,881
Committed Fund Balance:			
3510 Construction	-	-	-
Assigned Fund Balance:			
3550 Construction	185,000	-	-
3570 Capital Expenditures for Equipment	125,000	-	-
3590 Other Assigned Fund Balance	22,848	-	-
3600 Unassigned Fund Balance	6,601,440	-	-
3000 Total Fund Balances	<u>7,457,097</u>	<u>-</u>	<u>960,881</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 9,414,293</u>	<u>\$ 3,074,758</u>	<u>\$ 1,103,192</u>

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

60 Capital Projects	60 Capital Projects	Other Funds	Total Governmental Funds
\$ 704,492	\$ -	\$ 151,248	\$ 2,102,906
6,969	1,711,195	1,146,031	7,349,461
-	-	-	1,123,406
-	-	-	(376,341)
-	-	235,486	3,507,338
-	-	-	3,315,967
-	-	10,504	12,622
-	-	21,450	124,323
-	-	-	419,936
<u>\$ 711,461</u>	<u>\$ 1,711,195</u>	<u>\$ 1,564,719</u>	<u>\$ 17,579,618</u>
\$ 711,461	\$ 1,122,100	\$ 48,699	\$ 2,049,017
-	-	-	6,390
-	-	-	105,633
-	21,166	120,320	3,315,967
-	-	-	971,776
-	-	22,193	22,193
-	-	-	201
-	-	36,407	38,368
<u>711,461</u>	<u>1,143,266</u>	<u>227,619</u>	<u>6,509,545</u>
-	-	-	747,066
-	-	-	747,066
-	-	-	102,873
-	-	-	419,936
-	-	95,040	95,040
-	-	-	960,881
-	567,929	726,425	1,294,354
-	-	-	185,000
-	-	-	125,000
-	-	515,635	538,483
-	-	-	6,601,440
<u>-</u>	<u>567,929</u>	<u>1,337,100</u>	<u>10,323,007</u>
<u>\$ 711,461</u>	<u>\$ 1,711,195</u>	<u>\$ 1,564,719</u>	<u>\$ 17,579,618</u>

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TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2016

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$ 10,323,007
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.	500,243
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 \$109,870,079 and the accumulated depreciation was (\$36,878,768). 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.	5,833,950
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 2016 capital outlays and debt principal payments is to decrease net position.	15,190,285
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 in the amount of 6,673,157, a Deferred Resource Inflow related to TRS in the amount of \$496,505 and a Deferred Resource Outflow related to TRS in the amount of \$3,636,799. This amounted to a decrease in Net Position in the amount of \$3,532,863.	(3,532,863)
5 The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(3,918,077)
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.	747,066
<b>19 Net Position of Governmental Activities</b>	<u><u>\$ 25,143,611</u></u>

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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		10 General Fund	Haz. Mit. FEMA Fund	50 Debt Service Fund
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 27,029,709	\$ -	\$ 6,490,847
5800	State Program Revenues	6,200,252	-	69,398
5900	Federal Program Revenues	606,292	3,074,758	-
5020	Total Revenues	33,836,253	3,074,758	6,560,245
EXPENDITURES:				
Current:				
0011	Instruction	18,489,923	-	-
0012	Instructional Resources and Media Services	372,955	-	-
0013	Curriculum and Instructional Staff Development	63,324	-	-
0021	Instructional Leadership	514,720	-	-
0023	School Leadership	1,805,577	-	-
0031	Guidance, Counseling and Evaluation Services	962,090	-	-
0032	Social Work Services	1,000	-	-
0033	Health Services	317,744	-	-
0034	Student (Pupil) Transportation	1,027,304	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	1,392,137	-	-
0041	General Administration	1,475,416	-	-
0051	Facilities Maintenance and Operations	4,884,728	-	-
0052	Security and Monitoring Services	228,359	-	-
0053	Data Processing Services	648,721	-	-
0061	Community Services	-	-	-
Debt Service:				
0071	Principal on Long Term Debt	389,225	-	3,830,000
0072	Interest on Long Term Debt	114,991	-	3,826,962
0073	Bond Issuance Cost and Fees	-	-	314,398
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	3,074,758	-
Intergovernmental:				
0091	Contracted Instructional Services Between Schools	302,861	-	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	35,488	-	-
0099	Other Intergovernmental Charges	354,846	-	-
6030	Total Expenditures	33,381,409	3,074,758	7,971,360
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	454,844	-	(1,411,115)
OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	19,352	-	-
7913	Capital Leases	102,389	-	-
7914	Non-Current Loans - Refund of Bonds	-	-	16,740,000
7915	Transfers In	-	-	-
7916	Premium or Discount on Issuance of Bonds	-	-	1,954,212
8911	Transfers Out (Use)	(2,019,350)	-	-
8949	Other (Uses) - Refund of Bonds	-	-	(17,065,000)
7080	Total Other Financing Sources (Uses)	(1,897,609)	-	1,629,212
1200	Net Change in Fund Balances	(1,442,765)	-	218,097
0100	Fund Balance - September 1 (Beginning)	8,899,862	-	742,784
3000	Fund Balance - August 31 (Ending)	\$ 7,457,097	\$ -	\$ 960,881

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

60 Capital Projects	60 Capital Projects	Other Funds	Total Governmental Funds
\$ 29	\$ 20,564	\$ 1,692,616	\$ 35,233,765
-	-	107,984	6,377,634
-	-	2,805,868	6,486,918
29	20,564	4,606,468	48,098,317
8,122	265,777	1,111,352	19,875,174
-	-	3,021	375,976
-	-	100,452	163,776
-	-	7,437	522,157
-	-	2,791	1,808,368
-	-	229,154	1,191,244
-	-	-	1,000
-	-	-	317,744
-	-	326	1,027,630
-	-	2,213,090	2,213,090
-	-	846,451	2,238,588
-	-	-	1,475,416
-	493,831	53,397	5,431,956
2,766	12,189	-	243,314
-	-	-	648,721
-	-	9,760	9,760
-	-	-	4,219,225
-	-	-	3,941,953
-	-	-	314,398
1,808,835	6,804,867	445,203	12,133,663
-	-	-	302,861
-	-	-	35,488
-	-	-	354,846
1,819,723	7,576,664	5,022,434	58,846,348
(1,819,694)	(7,556,100)	(415,966)	(10,748,031)
-	-	-	19,352
-	-	-	102,389
-	-	-	16,740,000
-	2,238,247	-	2,238,247
-	-	-	1,954,212
-	-	(18,897)	(2,038,247)
-	-	-	(17,065,000)
-	2,238,247	(18,897)	1,950,953
(1,819,694)	(5,317,853)	(434,863)	(8,797,078)
1,819,694	5,885,782	1,771,963	19,120,085
\$ -	\$ 567,929	\$ 1,337,100	\$ 10,323,007



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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, 2016

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (8,797,080)</b>
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.	111,044
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 2015 capital outlays and debt principal payments is to decrease net position.	15,190,285
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.	(3,918,077)
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.	348,771
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2014 caused the change in the ending net position to increase in the amount of \$587,175. Contributions made before the measurement but during the 2015 FY were also de-expended and recorded as a reduction in the net pension liability for the district. This also caused a increase in the change in net position in the amount of \$558,989. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for FY2015 were \$619,003 for pension expense columns 6 - 12 from TRS data. This caused a net decrease in the change in net position of \$558,989. The impact of all of these is to increase the change in net position by \$590,817.	(590,817)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 2,344,126</b>

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, 2016

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 135,053	\$ 137,962
Investments - Current	-	450,629
Total Assets	135,053	588,591
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	-	88,348
Accrued Wages Payable	4,441	-
Total Liabilities	4,441	88,348
<b>NET POSITION</b>		
Unrestricted Net Position	130,612	500,243
Total Net Position	\$ 130,612	\$ 500,243

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, 2016

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 235,645	\$ 239,673
Total Operating Revenues	<u>235,645</u>	<u>239,673</u>
OPERATING EXPENSES:		
Payroll Costs	169,972	-
Professional and Contracted Services	11,740	51,820
Supplies and Materials	17,156	-
Other Operating Costs	-	76,809
Capital Outlay	15,816	-
Total Operating Expenses	<u>214,684</u>	<u>128,629</u>
Operating Income	<u>20,961</u>	<u>111,044</u>
NONOPERATING REVENUES (EXPENSES):		
Non-operating Expenses	<u>(200,000)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(200,000)</u>	<u>-</u>
Change in Net Position	(179,039)	111,044
Total Net Position - September 1 (Beginning)	<u>309,651</u>	<u>389,199</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 130,612</u></u>	<u><u>\$ 500,243</u></u>

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

**TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDING AUGUST 31, 2016**

**Exhibit D-3**

	<u>749</u>	<u>753</u>	<u>Total</u>
	TMPM	Worker's	Internal
	Fund	Compensation	Service
	Fund	Fund	Fund
Cash Flows from Operating Activities			
Receipts	\$ 235,645	239,673	475,318
Other Receipts	-	-	-
Total Receipts	\$ <u>235,645</u>	<u>239,673</u>	<u>475,318</u>
Cash Flows for Operating Activities			
Administrative	\$ (414,649)	(125,885)	(540,534)
Other Administrative Costs	0	0	0
Operating and Maintenance	0	0	0
Net Cash Flows for Operating Activities	\$ <u>(414,649)</u>	<u>(125,885)</u>	<u>(540,534)</u>
Net Cash Provided by Operating Activities	\$ <u>(179,004)</u>	<u>113,788</u>	<u>(65,216)</u>
Cash Flows from Investing Activities			
Other Adjustments	\$ -	-	-
Net Cash provided by Investing Activities	\$ <u>0</u>	<u>0</u>	<u>0</u>
Cash Flows from Financing Activities			
Principal Payments	\$ 0	0	0
Net Cash Used in Financing Activities	\$ <u>0</u>	<u>0</u>	<u>0</u>
Net Increase (Decrease) in Cash	\$ <u>(179,004)</u>	<u>113,788</u>	<u>(65,216)</u>
Cash at Beginning of Year	\$ 314,057	474,803	788,860
Cash at End of year	\$ <u>135,053</u>	<u>588,591</u>	<u>723,644</u>
Cash Flows from Operating Activities	\$ (179,039)	111,044	(67,995)
Change in Net Assets			
Adjustments to Reconcile Increase (Decrease) in Net Assets			
to net cash provided by Operating Activities			
Prior period adjustment	-	-	0
Decrease (increase) in Accounts Receivable	-	-	0
Decrease (increase) in Prepaid Expenses	-	-	0
Increase (decrease) in Accounts Payable	35	2,744	2,779
Net Cash Provided (Used) in Operation Activities:	\$ <u>(179,004)</u>	<u>113,788</u>	<u>(65,216)</u>

The accompanying notes are an integral part of these financial statements.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2016

EXHIBIT E-1

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 82,567
Total Assets	<u>\$ 82,567</u>
LIABILITIES	
Due to Student Groups	\$ 82,567
Total Liabilities	<u>\$ 82,567</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, 2016

	BALANCE SEPTEMBER 1 2015	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2016
<b>STUDENT ACTIVITY ACCOUNT</b>				
Assets:				
Cash and Temporary Investments	\$ 80,373	\$ 116,312	\$ 114,118	\$ 82,567
Liabilities:				
Accounts Payable	\$ 200	\$ -	\$ 200	\$ -
Due to Student Groups	80,173	116,312	113,918	82,567
Total Liabilities	\$ 80,373	\$ 116,312	\$ 114,118	\$ 82,567
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Temporary Investments	\$ 80,373	\$ 116,312	\$ 114,118	\$ 82,567
Liabilities:				
Accounts Payable	\$ 200	\$ -	\$ 200	\$ -
Due to Student Groups	80,173	116,312	113,918	82,567
Total Liabilities	\$ 80,373	\$ 116,312	\$ 114,118	\$ 82,567

## NOTES TO FINANCIAL STATEMENTS



**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

**I. A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Tuloso-Midway Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**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.

**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**

**Government-wide Financial Statements:** The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expense and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

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.

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.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

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: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. 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. Miscellaneous revenues are recorded as revenues 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claim and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

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.

GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources are the consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources are the acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are incorporated into the definitions of the required components of the residual measure and that measure is renamed as net position, rather than net assets. GASB 63 is effective for current fiscal year. The District is reflecting the applicable deferred outflows or inflows as required, net assets have been renamed as net position.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

**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.

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.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

7. 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.
8. 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:

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	\$ 964,228	\$ -	\$ 964,228	
Buildings	101,406,191	30,121,740	71,284,451	
Furniture & Equipment	5,136,233	4,636,790	499,443	
Vehicles	2,866,265	1,695,250	1,171,015	
Capital Leases	461,391	424,990	36,401	
Construction in Progress	7,650,712	-	7,650,712	
Change in Net Position	\$ 118,485,020	\$ 36,878,770		\$ 81,606,250
Long-term Liabilities at the Beginning of the year				
Bonds and Loans Payable	\$ 75,126,908			
Accreted/Deferred Amts	645,392			
Prior period adjustment(s)	-			
Change in Net Position				\$ 75,772,300
Net Adjustment to Net Position				\$ 5,833,950

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

**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:

	Amount	Adjustments to Changes in Net Position	Adjustments to Net Position
<u>Current Year Capital Outlay</u>			
Land	\$ 31,504	\$ 31,504	\$ 31,504
Buildings & Improvements	9,591,431	9,591,431	9,591,431
Furniture & Equipment	221,885	221,885	221,885
Construction in Process	2,541,913	2,541,913	2,541,913
Other	294,471	294,471	294,471
Total Capital Outlay	<u>\$ 12,681,204</u>	<u>\$ 12,681,204</u>	<u>\$ 12,681,204</u>
<u>Debt Principal Payments</u>			
Bond Principal	4,155,000	4,155,000	4,155,000
Loan Principal	347,815	347,815	347,815
Capital Lease Payments	(60,979)	(60,979)	(60,979)
Other	(1,932,755)	(1,932,755)	(1,932,755)
Total Principal Payments	<u>2,509,081</u>	<u>2,509,081</u>	<u>2,509,081</u>
Total Adjustment to Net Position		<u>\$ 15,190,285</u>	<u>\$ 15,190,285</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. 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	747,066	747,066	747,066
Uncollected taxes(assumed collectible) from Current Year Levy	-	-	-
Uncollected Taxes (assumed collectible) from Prior Year Levy	-	-	-
Other	(398,297)	-	(398,297)
Total	<u>348,769</u>	<u>747,066</u>	<u>348,769</u>

**TULOSO MIDWAYINDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

**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 J4 and J5.

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 2015-2016 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, 2016
	<u>Fund Balance</u>
Non-appropriated Budget Funds	<u>\$ 95,040</u>
All Special Revenue Funds	<u><u>\$ 95,040</u></u>

**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.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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	\$ 909,406	\$ 214,000	\$ 1,123,406
Allowance for Uncollectable Taxes	(304,651)	(71,690)	(376,341)
Net Delinquent Taxes Receivable	<u>\$ 604,755</u>	<u>\$ 142,310</u>	<u>\$ 747,065</u>

c. **Inventories and Prepaid Items**

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

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

d. **Capital Assets**

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

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

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



**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

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, 2016**

**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:

Violation

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 investment 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, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$10,176,011 and the bank/investment balance was \$10,899,323. The District's cash deposits were secured entirely covered by FDIC Insurance and securities during the fiscal year.

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

- a. Depository: Prosperity Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$9,797,605.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$8,022,156 and occurred during the month of December 2015.
- d. Total amount of FDIC coverage at the time of the end of the fiscal year was \$250,000.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, 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) dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (6) investment staff quality and capabilities, and (7) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

Investment or Investment Type	Maturity Less Than 1 Year	Fair Value
TexPool		\$ 196,169
Texas Class		1,769,080
Texas Term Local Government Pool		-
First Public - Lone Star Investment Pool		5,834,841
Total Investments		<u>\$ 7,800,090</u>

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At August 31, 2016 the District's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

Texas Term Local Government Pool - Texas Daily	AAAm
MBIA Asset Management Group - Texas Class	AAAm
Lone Star	AAA
TexPool	AAAm

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**F. Capital Assets**

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 964,228	\$ 31,504	\$ -	\$ 995,732
Construction in Progress	7,650,712	7,036,899	4,494,986	10,192,625
Total Capital assets not being depreciated	8,614,940	7,068,403	4,494,986	11,188,357
<i>Capital Asset being depreciated:</i>				
Buildings and improvements	101,406,192	9,591,431	-	110,997,623
Equipment	5,136,232	211,474	-	5,347,706
Vehicles	2,866,265	210,734	200,323	2,876,676
Capital Leases	461,390	102,389	317,423	246,356
Total capital assets being depreciated	109,870,079	10,116,028	517,746	119,468,361
Less accumulated depreciation for:				
Buildings and improvements	(30,121,740)	(3,521,419)	-	(33,643,159)
Equipment	(4,636,789)	(186,148)	-	(4,822,937)
Vehicles	(1,695,249)	(188,137)	(192,083)	(1,691,303)
Capital Leases	(424,990)	(22,373)	(317,422)	(129,941)
Total accumulated depreciation	(36,878,768)	(3,918,077)	(509,505)	(40,287,340)
Total capital assets being depreciated, net	72,991,311	6,197,951	8,241	79,181,021
Governmental activities capital assets, net	\$ 81,606,251	\$ 13,266,354	\$ 4,503,227	\$ 90,369,378
Depreciation was charged to functions as follows:				
Instruction	\$ 2,109,288			
Instruction Resources and Media Services	48,514			
Curriculum and Staff Development	2,366			
Instructional Leadership	90,860			
School Leadership	199,803			
Guidance, Counseling, & Evaluation Services	164,998			
Social Work Services	15,555			
Health Services	24,735			
Student Transportation	203,790			
Food Services	255,755			
Extracurricular Activities	229,808			
General Administration	117,302			
Plant Maintenance and Operations	442,975			
Security and Monitoring Services	12,152			
Data Processing	9			
Community Services	167			
Total Depreciation	\$ 3,918,077			

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

**G. Interfund Balances and Activities**

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2016, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ -	Short-term loans
General Fund	Major Fund	3,074,758	Short-term loans
General Fund	Other Governmental Funds	241,209	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	<u>\$ 3,315,967</u>	

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

**H. Long-Term Obligations**

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

**I. Disaggregation of Receivables and Payables**

Receivables at August 31, 2016, were as follows:

	Property Taxes - Net	Other Governments	Due From Other Funds	Other	Total Receivables
<b>Governmental Activities:</b>					
General Fund	\$ 604,755	\$ 389,560	\$ 3,315,967	\$ 2,118	\$ 4,312,400
Major Governmental Funds	142,310	2,882,292	-	-	3,024,602
Non-major Governmental Funds	-	235,486	-	10,504	245,990
Total - Governmental Activities	<u>\$ 747,065</u>	<u>\$ 3,507,338</u>	<u>\$ 3,315,967</u>	<u>\$ 12,622</u>	<u>\$ 7,582,992</u>

Payables at August 31, 2016, 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
<b>Governmental Activities:</b>							
General Fund	\$ 166,757	\$ 4,268,215	\$ 112,023	\$ 99,723	\$ 971,776	\$ -	\$ 5,618,494
Major Gov. Fund	1,833,561	-	-	3,074,758	-	-	4,908,319
Non-major Gov. Funds	48,699	-	-	141,486	-	22,193	212,378
Total - Gov. Activities	<u>\$ 2,049,017</u>	<u>\$ 4,268,215</u>	<u>\$ 112,023</u>	<u>\$ 3,315,967</u>	<u>\$ 971,776</u>	<u>\$ 22,193</u>	<u>\$ 10,739,191</u>

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

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, 2016, are as follow:

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Refunding Bonds 2006 3.5%-4.15%, (mat. 2/15/27)	\$ 6,550,000	\$ -	\$ 6,550,000	\$ -	\$ -
Building Bonds Series 2007 4.00%-5.00%, (mat.2/15/37)	8,635,000	-	235,000	8,400,000	245,000
Building Bonds Series 2008 4.00%-5.00%, (mat. 8/15/38)	12,135,000	-	11,510,000	625,000	305,000
Building Bonds Series 2009 3.00%-5.00%, (mat. 8/15/39)	3,845,000	-	150,000	3,695,000	150,000
Refunding Bonds 2010 2.00%-2.50%, (mat. 8/15/17)	370,000	-	185,000	185,000	185,000
Building Bonds Series 2012 2.00%-3.375%, (mat. 8/15/32)	8,435,000	-	390,000	8,045,000	400,000
Building Bonds Series 2014 2.00%-5.00%, (mat. 8/15/33)	14,280,000	-	545,000	13,735,000	565,000
Building Bonds, Series 2014 2.00%-4.00%, (mat. 8/15/34)	9,065,000	-	230,000	8,835,000	235,000
Ref.Bds 2014,2-4.00%, mat.2/15/26	7,595,000	-	680,000	6,915,000	1,060,000
Refunding Bonds 2015 1.92%, (mat. 2/15/27)	-	5,615,000	65,000	5,550,000	375,000
Refunding Bonds 2016 2.96% (mat. 8/15/38)	-	11,125,000	190,000	10,935,000	15,000
Bldg.Bds, Series 2015,2-4%,2/15/18	500,000	-	165,000	335,000	166,000
Capital leases	20,281	102,389	41,410	81,260	40,030
Maint.Tax Note 4.38%,mat. 11/13/22	1,605,202	-	171,815	1,433,387	179,355
Maint.Tax Note, 2.31%, mat. 2/15/25	1,971,000	-	176,000	1,795,000	179,000
Bond Premium	645,393	1,954,212	162,581	2,437,024	162,581
Compensated absences	120,425	24,906	24,085	121,246	24,249
Total governmental activities	<u>\$ 75,772,301</u>	<u>\$ 18,821,507</u>	<u>\$ 21,470,891</u>	<u>\$ 73,122,917</u>	<u>\$ 4,286,215</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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2016, are as follows:

	Governmental Activities		
Year Ending			
August 31,	Principal	Interest	Total
2017	3,701,000	2,538,833	6,239,833
2018	3,839,000	2,417,818	6,256,818
2019	3,960,000	2,288,918	6,248,918
2020	4,095,000	2,156,518	6,251,518
2021	3,355,000	2,031,643	5,386,643
Thereafter	48,305,000	15,036,812	63,341,812
Totals	<u>\$ 67,255,000</u>	<u>\$ 26,470,542</u>	<u>\$ 93,725,542</u>

	Governmental Activities - Notes		
Year Ending			
August 31,	Principal	Interest	Total
2017	358,355	102,294	460,649
2018	373,225	90,208	463,433
2019	384,440	77,661	462,101
2020	396,016	64,685	460,701
2021	411,968	51,217	463,185
Thereafter	1,304,382	69,992	1,374,374
Totals	<u>\$ 3,228,386</u>	<u>\$ 456,057</u>	<u>\$ 3,684,443</u>

3. Advance Refunding of Debt

The District advance refunded the Series 1997, 1999, 2000 and 2001 Bonds to reduce its total debt service payments over the next 20 years by \$769,214 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$386,486. The deferred loss on defeasance of bonds, which is the difference between the reacquisition price and the net carrying amount of the refunded bonds, is being amortized over the life of the bonds.

On July 21, 2009, the District issued Series 2009 refunding bonds totaling \$2,499,994 with interest rates ranging from 3.00% to 4.00% to advance refund the Series 2007 and 1999 Bonds. The net proceeds of \$2,575,355 (after payment of \$66,999 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, \$725,000 of Series 1997 bonds and \$1,775,000 of Series 1999 are considered to be defeased and the liability for those bonds had been removed from long-term debt. The District advance refunded the Series 1997 and 1999 bonds to reduce its total debt service payments over the next 20 years by \$149,577 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$154,995.



**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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On December 30, 2010, the District issued Series 2010 refunding bonds totaling \$1,675,000 with interest rates from 2.00% to 2.50% to advance refund the Series 2000 and 2001 Building Bonds. The net proceeds of \$1,775,960 (after payment of \$100,960 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, \$525,000 of Series 2000 bonds and \$1,150,000 of Series 2001 are considered to be defeased and the liability for those bonds had been removed from long-term debt. The District advance refunded the Series 2000 and 2001 bonds to reduce its total debt service payments over the next 7 years by \$156,122 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$81,800.

On October 21, 2014, the District issued Maintenance Tax Notes, Series 2014 refunding bonds totaling \$2,022,000 with a fixed interest rate of 2.31% to advance refund the Maintenance Tax Notes, Series 2010 bonds. The net proceeds of \$1,961,382 (after payment of \$40,617 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, \$1,925,000 of Maintenance Tax Notes, Series 2010 bonds are considered to be defeased and the liability for those bonds have been removed from long-term debt. The District advance refunded the Maintenance Tax Notes, Series 2010 bonds to reduce its total debt service payments over the next 11 years by \$112,695 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$99,015.

On November 15, 2014, the District issued Unlimited Tax Refunding Bonds, Series 2014 totaling \$7,645,000 with interest rates from 2.00% to 4.00% to advance refund Unlimited Tax Refunding Bonds, Series 2005. The net proceeds of \$8,142,864 (after payment of \$147,528 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, \$8,045,000 of Unlimited Tax Refunding Bonds, Series 2005 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 2005 to reduce its total debt service payments over the next 12 years by \$797,801 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$724,493.

On October 27, 2015, the District issued Unlimited Tax Refunding Bonds, Series 2015 totaling \$5,615,000 with an interest rate of 1.92% to advance refund Unlimited Tax Refunding Bonds, Series 2006. The net proceeds of \$5,967,596 (after payment of \$120,251 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, \$5,850,000 of Unlimited Tax Refunding Bonds, Series 2006 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 2006 to reduce its total debt service payments over 12 years by \$679,260 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$624,419.

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 \$374,989.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

4. Capital Leases

Commitments under capitalized lease agreement for facilities and equipment provide for minimum futures of August 31, 2016, as follows:

Year Ending August 31:	
2017	42,467
2018	42,467
2019	-
2020	-
2021	-
Total Minimum Lease Payments	<u>\$ 84,934</u>
Less Interest Due	<u>(3,674)</u>
Total Minimum Rentals	<u><u>\$ 81,260</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, 2016, 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	\$ 364,294	\$ -	\$ 25,266	\$ 389,560
Debt Service	\$ 5,890			\$ 5,890
Special Revenue	-	3,111,888	-	3,111,888
Total	<u>\$ 370,184</u>	<u>\$ 3,111,888</u>	<u>\$ 25,266</u>	<u>\$ 3,507,338</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 2016, 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 2016 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 163,887,375,172
Less: Plan Fiduciary Net Position	<u>(128,538,706,212)</u>
Net Pension Liability	<u>\$ 35,348,668,960</u>
 Net Position as percentage of Total Pension Liability	 -78.43%

**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 2016 as discussed in Note 1 of the TRS 2016 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
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	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Tuloso Midway ISD 2016 Employer Contributions	\$ 587,175
Tuloso Midway ISD 2016 Member Contributions	\$ 1,593,234
Tuloso Midway ISD 2015 NECE On-Behalf Contributions	\$ 1,146,783

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, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

**Actuarial Assumptions.** The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry
Amortization Method	Level Percentage, Open
Remaining Amortization Period	29.8 years
Asset Valuation Method	5 Year smoothed Mkt
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
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

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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 2016, 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, 2015 are summarized below:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Real Return Geometric Basis</b>	<b>Long-Term Expected Portfolio Real Rate of Return*</b>
<b>Global Equity</b>			
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%
<b>Stable Value</b>			
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%
<b>Real Return</b>			
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%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha	0%	0.0%	1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
TMISD's proportionate share of the net pension liability:	\$ 10,455,579	\$ 6,673,157	\$ 3,522,634

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2014, 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	\$ 6,673,157
State's proportionate share that is associated with the District	13,686,138
Total	<u>\$ 20,359,295</u>

The net pension liability was measured as of August 31, 2015 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, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was .0188781%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2014.

For the year ended August 31, 2015, Tuloso-Midway Independent School District recognized pension expense of \$1,950,054 and revenue of \$1,950,054 for support provided by the State.

At August 31, 2015, 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**  
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 36,746	\$ 256,455
Changes in actuarial assumptions	154,446	238,069
Difference between projected and actual investment earnings	988,545	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,869,887	1,981
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	-	-
Total	\$3,636,799	\$ 496,505

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
2017	463,899
2018	463,899
2019	463,900
2020	682,203
2021	269,048
Thereafter	210,170

At June 30, 2016, 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, 2014 Measurement Date	\$3,049,624	\$ 496,505
Contributions made subsequent to the Measurement Date	\$ 587,175	\$ -
2015 Amortization of Deferred Outflows and Inflows	\$ -	\$ -
Reported by District	\$3,636,799	\$ 496,505

**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](http://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**  
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**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 2016–2014.

Contribution Rates						
Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	.65%	\$143,825	1.0%	\$221,281	.55%	\$121,706
2015	.65%	\$134,222	1.0%	\$206,495	.55%	\$113,576
2014	.65%	\$129,673	1.0%	\$199,497	.55%	\$109,723

***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 2016, 2015, and 2014 were \$86,738, \$86,485, and \$53,193 respectively.

**M. Employee Health Care Coverage**

During the year ended August 31, 2016, 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, 2016, 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, 2016**

**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
Unavailable Property Tax Revenue	\$ 604,755	\$ -	\$ 142,311	\$ 747,066
State & Federal Governments	-	-	-	-
Total Deferred Revenue	<u>\$ 604,755</u>	<u>\$ -</u>	<u>\$ 142,311</u>	<u>\$ 747,066</u>

**P. Unearned Revenues**

Unearned Revenues at year end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
State & Federal Governments	\$ 1,961	\$ 36,407	\$ -	\$ 38,368
Total Unearned Revenue	<u>\$ 1,961</u>	<u>\$ 36,407</u>	<u>\$ -</u>	<u>\$ 38,368</u>

**Q. 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	\$ 26,145,856	\$ 6,450,705	\$ -	\$ 32,596,561
Penalties, Interest and Other Tax-related Income	190,330	26,138	-	216,468
Investment Income	44,694	14,003	27,244	85,941
Food Sales	456,768	-	16,935	473,703
Co-curricular Student Activities	116,325	-	954,306	1,070,631
Other	75,736	1	714,724	790,461
Total	<u>\$ 27,029,709</u>	<u>\$ 6,490,847</u>	<u>\$ 1,713,209</u>	<u>\$ 35,233,765</u>

**R. Subsequent Events**

Subsequent events have been evaluated through December 9, 2016, which is the date the financial statements were available to be issued. On November 15, 2016 the District issued \$5.5 million in maintenance tax notes for critical capital upgrades and replacements.

In November 2016 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 2016 appraised values for their industrial facility plant certified at approximately \$725 million.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

**S. Prior Period Adjustments**

None

**T. 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 governmental 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.

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.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

**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.

**U. 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	\$ 102,873
Pre-paids	419,936
Committed	
Construction	1,294,354
Restricted	
Federal/State Grants	95,040
Retirement of Long Term Debt	960,881
Assigned Fund Balances	
Construction	185,000
Capital Expenditures for Equipment	125,000
Other Assigned Fund Balance	538,483
Undesignated/Unassigned	
Unassigned Fund Balance	6,601,440
Total Fund Balances	<u>\$ 10,323,007</u>

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2016**

**V. 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 2016-2015		<u>\$ 857,363</u>
b) Subtract any non-medical expenditures		
Life Insurance	\$ 6,569	
Long-term Disability	<u>3,594</u>	<u>10,163</u>
c) 2015-2016 Maintenance of Effort		<u><u>\$ 847,200</u></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, 2016

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	\$ 27,141,046	\$ 27,145,956	\$ 27,029,709	\$ (116,247)
5800	State Program Revenues	6,550,995	6,887,995	6,200,252	(687,743)
5900	Federal Program Revenues	500,800	600,800	606,292	5,492
5020	Total Revenues	34,192,841	34,634,751	33,836,253	(798,498)
EXPENDITURES:					
Current:					
0011	Instruction	18,872,744	18,608,954	18,489,923	119,031
0012	Instructional Resources and Media Services	361,922	373,917	372,955	962
0013	Curriculum and Instructional Staff Development	48,564	77,387	63,324	14,063
0021	Instructional Leadership	519,243	538,301	514,720	23,581
0023	School Leadership	1,798,989	1,808,158	1,805,577	2,581
0031	Guidance, Counseling and Evaluation Services	1,048,353	1,016,640	962,090	54,550
0032	Social Work Services	1,000	1,000	1,000	-
0033	Health Services	320,958	326,086	317,744	8,342
0034	Student (Pupil) Transportation	1,186,455	1,094,883	1,027,304	67,579
0036	Extracurricular Activities	1,463,801	1,447,149	1,392,137	55,012
0041	General Administration	1,524,425	1,506,232	1,475,416	30,816
0051	Facilities Maintenance and Operations	5,083,934	5,029,909	4,884,728	145,181
0052	Security and Monitoring Services	260,115	256,392	228,359	28,033
0053	Data Processing Services	622,623	678,731	648,721	30,010
Debt Service:					
0071	Principal on Long Term Debt	389,505	389,505	389,225	280
0072	Interest on Long Term Debt	115,529	115,529	114,991	538
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	311,723	311,723	302,861	8,862
0095	Payments to Juvenile Justice Alternative Ed. Prg.	32,000	38,000	35,488	2,512
0099	Other Intergovernmental Charges	340,000	355,000	354,846	154
6030	Total Expenditures	34,301,883	33,973,496	33,381,409	592,087
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(109,042)	661,255	454,844	(206,411)
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	5,000	19,352	14,352
7913	Capital Leases	109,042	104,042	102,389	(1,653)
8911	Transfers Out (Use)	-	(2,019,350)	(2,019,350)	-
7080	Total Other Financing Sources (Uses)	109,042	(1,910,308)	(1,897,609)	12,699
1200	Net Change in Fund Balances	-	(1,249,053)	(1,442,765)	(193,712)
0100	Fund Balance - September 1 (Beginning)	8,899,862	8,899,862	8,899,862	-
3000	Fund Balance - August 31 (Ending)	\$ 8,899,862	\$ 7,650,809	\$ 7,457,097	\$ (193,712)

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, 2016

EXHIBIT G-2

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0188781%	0.0106957%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 6,673,157	\$ 2,856,969
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	13,686,138	11,728,072
Total	<u>\$ 20,359,295</u>	<u>\$ 14,585,041</u>
District's Covered-Employee Payroll	\$ 20,650,249	\$ 19,949,694
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	32.32%	14.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only two 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 2016

EXHIBIT G-3

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 587,175	\$ 558,989
Contribution in Relation to the Contractually Required Contribution	(587,175)	(558,989)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 22,128,117	\$ 20,650,249
Contributions as a Percentage of Covered-Employee Payroll	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, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

Note: In accordance with GASB 68, Paragraph 138, only two 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."

## COMBINING SCHEDULES

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2016

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1120	Investments - Current	-	-	-
1240	Receivables from Other Governments	309	44,044	478
1290	Other Receivables	-	-	-
1300	Inventories	-	-	-
1000	Total Assets	<u>\$ 309</u>	<u>\$ 44,044</u>	<u>\$ 478</u>
<b>LIABILITIES</b>				
2110	Accounts Payable	\$ -	\$ 148	\$ -
2170	Due to Other Funds	309	43,896	478
2190	Due to Student Groups	-	-	-
2300	Unearned Revenues	-	-	-
2000	Total Liabilities	<u>309</u>	<u>44,044</u>	<u>478</u>
<b>FUND BALANCES</b>				
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>\$ 309</u>	<u>\$ 44,044</u>	<u>\$ 478</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	410 Instructional Materials Allotment	461 Campus Activity Funds	462 Tuloso Education Foundation	481 Del Mar Dual Credit	496 County Diabetes Fund
\$ 620	\$ -	\$ -	\$ -	\$ 135,671	\$ 10,680	\$ -	\$ 4,277
-	-	-	-	379,986	-	-	-
190,026	590	39	-	-	-	-	-
7,754	-	-	-	-	-	-	-
21,450	-	-	-	-	-	-	-
<u>\$ 219,850</u>	<u>\$ 590</u>	<u>\$ 39</u>	<u>\$ -</u>	<u>\$ 515,657</u>	<u>\$ 10,680</u>	<u>\$ -</u>	<u>\$ 4,277</u>
\$ 6,159	\$ -	\$ -	\$ -	\$ 22	\$ -	\$ -	\$ -
75,008	590	39	-	-	-	-	-
22,193	-	-	-	-	-	-	-
21,450	-	-	-	-	10,680	-	4,277
<u>124,810</u>	<u>590</u>	<u>39</u>	<u>-</u>	<u>22</u>	<u>10,680</u>	<u>-</u>	<u>4,277</u>
95,040	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	515,635	-	-	-
<u>95,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>515,635</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 219,850</u>	<u>\$ 590</u>	<u>\$ 39</u>	<u>\$ -</u>	<u>\$ 515,657</u>	<u>\$ 10,680</u>	<u>\$ -</u>	<u>\$ 4,277</u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2016

Data Control Codes		Total Nonmajor Special Revenue Funds	650 Capital Projects Fund \$20 Million	680 Energy Perf. Project Fund	699 Capital Projects Fund
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 151,248	\$ -	\$ -	\$ -
1120	Investments - Current	379,986	-	-	766,045
1240	Receivables from Other Governments	235,486	-	-	-
1290	Other Receivables	7,754	-	-	2,750
1300	Inventories	21,450	-	-	-
1000	Total Assets	<u>\$ 795,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 768,795</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 6,329	\$ -	\$ -	\$ 42,370
2170	Due to Other Funds	120,320	-	-	-
2190	Due to Student Groups	22,193	-	-	-
2300	Unearned Revenues	36,407	-	-	-
2000	Total Liabilities	<u>185,249</u>	<u>-</u>	<u>-</u>	<u>42,370</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	95,040	-	-	-
Committed Fund Balance:					
3510	Construction	-	-	-	726,425
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	515,635	-	-	-
3000	Total Fund Balances	<u>610,675</u>	<u>-</u>	<u>-</u>	<u>726,425</u>
4000	Total Liabilities and Fund Balances	<u>\$ 795,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 768,795</u>

Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ 151,248
766,045	1,146,031
-	235,486
2,750	10,504
-	21,450
<u>\$ 768,795</u>	<u>\$ 1,564,719</u>
\$ 42,370	\$ 48,699
-	120,320
-	22,193
-	36,407
<u>42,370</u>	<u>227,619</u>
-	95,040
726,425	726,425
-	515,635
<u>726,425</u>	<u>1,337,100</u>
<u>\$ 768,795</u>	<u>\$ 1,564,719</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, 2016

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	591,180	577,910	8,161
5020	Total Revenues	591,180	577,910	8,161
<b>EXPENDITURES:</b>				
Current:				
0011	Instruction	570,012	334,482	8,161
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and Instructional Staff Development	10,500	9,504	-
0021	Instructional Leadership	1,942	5,495	-
0023	School Leadership	1,291	200	-
0031	Guidance, Counseling and Evaluation Services	-	227,903	-
0034	Student (Pupil) Transportation	-	326	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0051	Facilities Maintenance and Operations	-	-	-
0061	Community Services	7,435	-	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-
6030	Total Expenditures	591,180	577,910	8,161
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
8911	Transfers Out (Use)	-	-	-
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	410 Instructional Materials Allotment	461 Campus Activity Funds	462 Tuloso Education Foundation	481 Del Mar Dual Credit	496 County Diabetes Fund
\$ 790,014	\$ -	\$ -	\$ -	\$ 837,996	\$ 57,500	\$ 203	\$ 2,325
9,955	-	-	98,029	-	-	-	-
1,499,632	30,840	98,145	-	-	-	-	-
<u>2,299,601</u>	<u>30,840</u>	<u>98,145</u>	<u>98,029</u>	<u>837,996</u>	<u>57,500</u>	<u>203</u>	<u>2,325</u>
-	30,840	15,146	98,029	-	54,479	203	-
-	-	-	-	-	3,021	-	-
-	-	80,448	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,300	-	-	-	-	-
-	-	1,251	-	-	-	-	-
-	-	-	-	-	-	-	-
2,213,090	-	-	-	-	-	-	-
-	-	-	-	846,451	-	-	-
42,297	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,325
-	-	-	-	-	-	-	-
<u>2,255,387</u>	<u>30,840</u>	<u>98,145</u>	<u>98,029</u>	<u>846,451</u>	<u>57,500</u>	<u>203</u>	<u>2,325</u>
44,214	-	-	-	(8,455)	-	-	-
-	-	-	-	-	-	-	-
<u>44,214</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,455)</u>	<u>-</u>	<u>-</u>	<u>-</u>
50,826	-	-	-	524,090	-	-	-
<u>95,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>515,635</u>	<u>-</u>	<u>-</u>	<u>-</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, 2016

Data Control Codes		Total Nonmajor Special Revenue Funds	650 Capital Projects Fund \$20 Million	680 Energy Perf. Project Fund	699 Capital Projects Fund
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,688,038	\$ 11	\$ 7	\$ 4,560
5800	State Program Revenues	107,984	-	-	-
5900	Federal Program Revenues	2,805,868	-	-	-
5020	Total Revenues	4,601,890	11	7	4,560
EXPENDITURES:					
Current:					
0011	Instruction	1,111,352	-	-	-
0012	Instructional Resources and Media Services	3,021	-	-	-
0013	Curriculum and Instructional Staff Development	100,452	-	-	-
0021	Instructional Leadership	7,437	-	-	-
0023	School Leadership	2,791	-	-	-
0031	Guidance, Counseling and Evaluation Services	229,154	-	-	-
0034	Student (Pupil) Transportation	326	-	-	-
0035	Food Services	2,213,090	-	-	-
0036	Extracurricular Activities	846,451	-	-	-
0051	Facilities Maintenance and Operations	42,297	-	-	11,100
0061	Community Services	9,760	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	445,203
6030	Total Expenditures	4,566,131	-	-	456,303
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	35,759	11	7	(451,743)
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	(8,422)	(10,475)	-
1200	Net Change in Fund Balance	35,759	(8,411)	(10,468)	(451,743)
0100	Fund Balance - September 1 (Beginning)	574,916	8,411	10,468	1,178,168
3000	Fund Balance - August 31 (Ending)	\$ 610,675	\$ -	\$ -	\$ 726,425

Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 4,578	\$ 1,692,616
-	107,984
-	2,805,868
4,578	4,606,468
-	1,111,352
-	3,021
-	100,452
-	7,437
-	2,791
-	229,154
-	326
-	2,213,090
-	846,451
11,100	53,397
-	9,760
445,203	445,203
456,303	5,022,434
(451,725)	(415,966)
(18,897)	(18,897)
(470,622)	(434,863)
1,197,047	1,771,963
\$ 726,425	\$ 1,337,100

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## REQUIRED TEA SCHEDULES

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	\$ 1.370000	\$ 0.242200	\$ 1,160,601,769
2008	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 (School year under audit)	1.105600	0.271800	2,406,366,842
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 133,242	\$ -	\$ 3,707	\$ 584	\$ (23,243)	\$ 105,708
36,352	-	941	219	(436)	34,756
43,663	-	873	247	(487)	42,056
35,870	-	2,361	663	(954)	31,892
82,985	-	7,354	1,019	(1,852)	72,760
129,487	-	19,099	4,233	15,153	121,307
75,515	-	20,824	5,137	12,577	62,131
108,895	-	20,140	5,452	11,717	95,020
218,653	-	77,895	22,275	(17,785)	100,698
-	33,353,456	25,992,665	6,410,876	(492,836)	457,079
<u>\$ 864,661</u>	<u>\$ 33,353,456</u>	<u>\$ 26,145,859</u>	<u>\$ 6,450,705</u>	<u>\$ (498,147)</u>	<u>\$ 1,123,406</u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT  
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT J-3

**UNAUDITED**

1	Total General Fund Balance as of 8/31/16 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 7,457,097
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 522,809	
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)	332,848	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
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).	-	
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>8,967,657</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u>\$ (1,510,560)</u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2016

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	\$ 808,989	\$ 834,489	\$ 790,014	\$ (44,475)
5800	State Program Revenues	9,376	9,376	9,955	579
5900	Federal Program Revenues	1,423,300	1,423,300	1,499,632	76,332
5020	Total Revenues	2,241,665	2,267,165	2,299,601	32,436
EXPENDITURES:					
0035	Food Services	2,223,665	2,256,576	2,213,090	43,486
0051	Facilities Maintenance and Operations	18,000	42,297	42,297	-
6030	Total Expenditures	2,241,665	2,298,873	2,255,387	43,486
1200	Net Change in Fund Balances	-	(31,708)	44,214	75,922
0100	Fund Balance - September 1 (Beginning)	50,826	50,826	50,826	-
3000	Fund Balance - August 31 (Ending)	\$ 50,826	\$ 19,118	\$ 95,040	\$ 75,922



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, 2016

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	\$ 6,555,000	\$ 6,555,000	\$ 6,490,847	\$ (64,153)
5800	State Program Revenues	-	-	69,398	69,398
5020	Total Revenues	6,555,000	6,555,000	6,560,245	5,245
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	3,575,000	3,830,000	3,830,000	-
0072	Interest on Long Term Debt	2,830,074	3,944,563	3,826,962	117,601
0073	Bond Issuance Cost and Fees	15,000	321,998	314,398	7,600
6030	Total Expenditures	6,420,074	8,096,561	7,971,360	125,201
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	134,926	(1,541,561)	(1,411,115)	130,446
OTHER FINANCING SOURCES (USES):					
7914	Non-Current Loans - Refund of Bonds	-	16,740,000	16,740,000	-
7916	Premium or Discount on Issuance of Bonds	-	1,954,213	1,954,212	(1)
8949	Other (Uses) - Refund of Bonds	-	(17,065,000)	(17,065,000)	-
7080	Total Other Financing Sources (Uses)	-	1,629,213	1,629,212	(1)
1200	Net Change in Fund Balances	134,926	87,652	218,097	130,445
0100	Fund Balance - September 1 (Beginning)	742,784	742,784	742,784	-
3000	Fund Balance - August 31 (Ending)	\$ 877,710	\$ 830,436	\$ 960,881	\$ 130,445

## FEDERAL AWARDS SECTION

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

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



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

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

**Independent Auditor's Report**

December 9, 2016

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, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2016.

**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  
December 9, 2016

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

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2016

None

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2016

None

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2016

**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:

Hazard Mitigation Grant Program, CFDA 97.039  
ESEA , Title I, Part A – Improving Basic Programs, CFDA 84.010A  
IDEA, Part B, Formula, CFDA 84.027  
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 \$300,000.

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, 2016

**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, 2016

None

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

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



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

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

**Independent Auditor's Report**

December 9, 2016

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, 2016. 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, 2016.

**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, 2016, 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 December 9, 2016, 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  
December 9, 2016



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TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<u>Passed through TDPS through City of Corpus Christi</u>			
Hazard Mitigation Grant Program	97.039	DR-1791-349	\$ 1,710,140
Hazard Mitigation Grant Program	97.039	DR-1791-348	1,364,618
Total CFDA Number 97.039			<u>3,074,758</u>
Total Passed through TDPS through City of Corpus Christi			<u>\$ 3,074,758</u>
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<u>\$ 3,074,758</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16 - 610101178912	\$ 591,180
*IDEA - Part B, Formula	84.027	16 - 660001178912660	577,910
*IDEA - Part B, Preschool	84.173	16 - 661001178912610	8,161
Total Special Education Cluster (IDEA)			<u>586,071</u>
Career and Technical - Basic Grant	84.048	16 - 420006178912	30,840
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16 - 694501178912	98,145
Total Passed Through State Department of Education			<u>\$ 1,306,236</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>\$ 1,306,236</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		\$ 12,358
Total Passed Through Texas Dept of Human Services			<u>\$ 12,358</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>\$ 12,358</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401601	\$ 480,498
*National School Lunch Program - Cash Assistance	10.555	71301601	891,225
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301601	127,909
Total CFDA Number 10.555			<u>1,019,134</u>
Total Child Nutrition Cluster			<u>1,499,632</u>
Total Passed Through the State Department of Agriculture			<u>\$ 1,499,632</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>\$ 1,499,632</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 5,892,984</u></u>

\*Clustered Programs

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2016

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, 2016. 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 2016

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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.	6673157
SF13	Pension Expense (6147) at fiscal year-end.	590817



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