

**TULOSO-MIDWAY INDEPENDENT
SCHOOL DISTRICT**

**Annual Financial Report
For the Year Ended August 31, 2015**

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

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Tuloso-Midway Independent School District
Annual Financial Report
For the Year Ended August 31, 2015

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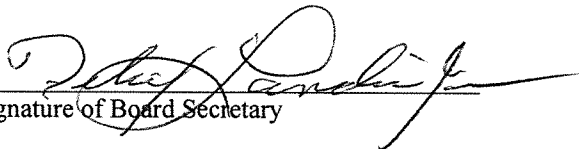
CERTIFICATE OF BOARD

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, 2015 at a meeting of the Board of Trustees of such school district on the 17th day of December 2015.



Signature of Board Secretary



Signature of Board President

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

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tuloso Midway Independent School District as of and for the year ended August 31, 2015 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, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I to the financial statements, in 2015, the District adopted new accounting guidance prescribed by GASB #68 for its pension plan a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. Because GASB #68 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements. Exhibit A-1 discloses the District's Net Pension Liability and some deferred resource outflows and deferred resource inflows related to the District's pension plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to the matter.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* on pages 9-18, 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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other information, are presented for purposes of additional analysis and are 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 2, 2015 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 2, 2015



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, 2015. 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 \$23,109,136 (Exhibit A-1, B-1) at August 31, 2015.
- During the year, the District's expenditures were \$4,901,878 (Exhibit C-3) more, before extraordinary items, than the \$45,824,481 generated in taxes and other revenues for governmental activities.
- Total cost of all of the District's programs was \$43,780,742, excluding the enterprise funds (Exhibit B-1) which was \$1,461,876 more than the previous year.
- The General Fund reported a total fund balance this year of \$8,899,862. (Exhibit C-1, C-3).

Fund Financial Statements

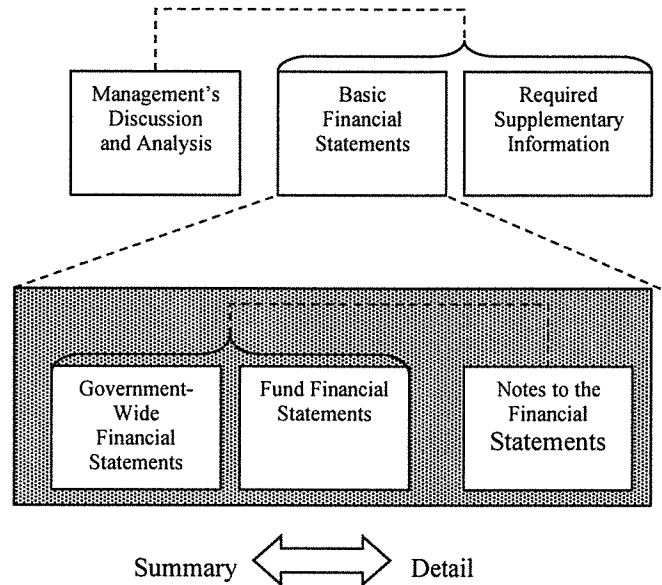
- The general fund reported a total fund balance this year of \$8,899,862 approximately 83.9% of this total amount, \$7,475,747 is unassigned. The unassigned fund balance is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,475,747 or 23.1% 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 \$1.0686 for 2012-2013, \$1.04 for 2013-2014 and \$1.09 for 2014-2015. The District increased the I&S tax rate to \$0.2636 for 2012-2013, \$0.2771 for 2013-2014 and \$0.3045 for 2014-2015.
- 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>	Fund Statements			
	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Fund
<i>Scope</i>	Entire District's government (except fiduciary funds) and the District's component units	The activities of the District that are not proprietary of fiduciary	Activities the District operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statement</i>	*Statement of net position	*Balance Sheet	*Statement of net position	*Statement of Fiduciary net position
	*Statement of activities	*Statement of revenues, expenditures & changes in fund balance	*Statement of revenues, expenses, and changes in fund net position *Statement of cash flows	*Statement of changes in fiduciary net position
<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 \$23,109,136 at August 31, 2015. (See Exhibit A-1, B-1).

The \$7,475,747 of unassigned fund balance represents resources available to fund the programs of the District's next year. (Exhibit C-1)

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

		1	2	3
		Primary Government		
	Data		Business	
	Control	Governmental	Type	
	Codes	Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 6,973,979	\$ 314,057	\$ 7,288,036
1120	Current Investments	9,617,212	-	9,617,212
1220	Property Taxes Receivable (Delinquent)	864,660	-	864,660
1230	Allowance for Uncollectible Taxes	(289,661)	-	(289,661)
1240	Due from Other Governments	3,906,050	-	3,906,050
1250	Accrued Interest	-	-	-
1260	Internal Balances	-	-	-
1267	Due from Fiduciary Funds	-	-	-
1290	Other Receivables, net	14,742	-	14,742
1300	Inventories	108,320	-	108,320
1490	Other Current Assets	433,809	-	433,809
	Capital Assets:			
1510	Land	964,228	-	964,228
1520	Buildings, Net	71,284,452	-	71,284,452
1530	Furniture and Equipment, Net	1,706,859	-	1,706,859
1580	Construction in Progress	7,650,712	-	7,650,712
1000	Total Assets	103,235,362	314,057	103,549,419
DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred Charge for Refunding	-	-	-
1705	Deferred Outflow Related to TRS	788,879	-	788,879
1700	Total Deferred Outflows of Resources	788,879	-	788,879
LIABILITIES				
2110	Account Payable	1,311,777	-	1,311,777
2140	Interest Payable	176,700	-	176,700
2150	Payroll Deductions & Withholdings	13,407	-	13,407
2160	Accrued Wages Payable	114,151	4,406	118,557
2180	Due to Other Governments	21,088	-	21,088
2190	Due to Others	-	-	-
2200	Accrued Expenses	-	-	-
2300	Unearned Revenue	84,407	-	84,407
	Noncurrent Liabilities			
2501	Due Within One Year	3,966,486	-	3,966,486
2502	Due in More Than One Year	71,805,815	-	71,805,815
2540	Net Pension Liability (District's Share)	2,856,969	-	2,856,969
2000	Total Liabilities	80,350,800	4,406	80,355,206
DEFERRED INFLOW OF RESOURCES				
2605	Deferred Inflow Related to TRS	873,956	-	873,956
2600	Total Deferred Inflows of Resources	873,956	-	873,956
NET POSITION				
3200	Net Investment in Capital Assets	6,621,447	-	6,621,447
	Restricted:			
3820	Restricted for Federal and State Programs	154,215	-	154,215
3850	Restricted for Debt Service	742,784	-	742,784
3860	Restricted for Capital Projects	9,602,522	-	9,602,522
3880	Restricted for Scholarships	-	-	-
3890	Restricted for Other Purposes	1,144,816	-	1,144,816
3900	Unrestricted	4,533,701	309,651	4,843,352
3000	Total Net Position	\$ 22,799,485	\$ 309,651	\$ 23,109,136

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

Change in net position

The District's total governmental revenues were \$46,183,166. A portion, 66.41%, of the District's governmental revenue, comes from taxes. Approximately 14.15% comes from Operating Grants and Contributions, while only 5.03% relates to charges for services. (See Exhibit B-1)

The total cost of all governmental programs and services was \$43,780,742.

Governmental Activities

- The Maintenance and Operation tax rate, in compliance with State funding laws, is \$1.09 per \$100 value, which is an increase due to effective tax rate calculations based upon a .78% increase in net taxable property values. The Interest and Sinking tax rate increased to \$.3045. The total tax rate was increased to 1.39450 in 2015 from \$1.3171 in 2014 per \$100. Collections of tax revenues remain consistent.

	Governmental		Business		Total		Net Difference
	2015	2014	2015	2014	2015	2014	2015-2014
Program Revenues:							
Charges for Services	\$ 2,325,211	\$ 1,693,630	\$ 247,058	\$ 232,769	\$ 2,572,269	\$ 1,926,399	\$ 645,870
Operating Grants and Contributions	6,536,583	6,151,976	-	-	6,536,583	6,151,976	384,607
General Revenues							
Property Taxes	30,671,771	29,405,209	-	-	30,671,771	29,405,209	1,266,562
State Aid-Formula	6,589,976	3,916,874	-	-	6,589,976	3,916,874	2,673,102
Investment Earnings	59,504	48,667	-	-	59,504	48,667	10,837
Other	121	4,926,271	-	-	121	4,926,271	(4,926,150)
Total Revenues	46,183,166	46,142,627	247,058	232,769	46,430,224	46,375,396	54,828
Expenses							
Instruction	21,045,135	20,059,703	-	-	21,045,135	20,059,703	985,432
Instructional Res. Media Serv.	395,946	378,072	-	-	395,946	378,072	17,874
Curriculum Dev. and Instructional Staff Develop.	160,097	166,394	-	-	160,097	166,394	(6,297)
Instructional Leadership	506,251	582,202	-	-	506,251	582,202	(75,951)
School Leadership	1,911,502	1,650,956	-	-	1,911,502	1,650,956	260,546
Guidance, Counseling and Evaluation Services	1,308,662	1,222,969	-	-	1,308,662	1,222,969	85,693
Social Work Services	14,504	12,840	-	-	14,504	12,840	1,664
Health Services	318,117	313,007	-	-	318,117	313,007	5,110
Student (Pupil) Transportation	1,169,114	1,218,023	-	-	1,169,114	1,218,023	(48,909)
Food Services	2,481,984	2,314,997	-	-	2,481,984	2,314,997	166,987
Curricular/Extracurr. Activities	2,402,125	2,371,173	-	-	2,402,125	2,371,173	30,952
General Administration	1,513,606	1,756,585	-	-	1,513,606	1,756,585	(242,979)
Plant Maint. & Operations	4,957,522	4,237,010	-	-	4,957,522	4,237,010	720,512
Security and Monitoring	302,688	488,001	-	-	302,688	488,001	(185,313)
Data Processing Services	469,606	445,808	-	-	469,606	445,808	23,798
Community Service	11,425	11,243	-	-	11,425	11,243	182
Debt Service	4,254,276	3,878,614	-	-	4,254,276	3,878,614	375,662
TMPM After School Care	-	-	208,878	184,933	208,878	184,933	23,945
Capital Outlay - non-cap.	-	-	-	-	-	-	-
Contracted Instruct. Services	-	-	-	-	-	-	-
Payments to Shared Service	194,944	850,620	-	-	194,944	850,620	(655,676)
Payments to Juvenile Justice Alternative Ed. Program	32,863	39,305	-	-	32,863	-	32,863
Other Intergovernmental	330,375	321,344	-	-	330,375	321,344	9,031
Total Expenses	43,780,742	42,318,866	208,878	184,933	43,989,620	42,464,494	1,492,263
Transfers	-	-	-	-	-	-	-
Increase (Dec.) in Net Position	2,402,424	3,823,761	38,180	47,836	2,440,604	3,871,597	(1,430,993)
Net Position Beginning	23,634,019	19,810,258	271,471	223,635	23,905,490	20,033,893	3,871,597
Prior Period Adjustment	(3,236,958)	-	-	-	(3,236,958)	-	(3,236,958)
Net Position Ending	\$ 22,799,485	\$ 23,634,019	\$ 309,651	\$ 271,471	\$ 23,109,136	\$ 23,905,490	\$ (796,354)

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 \$43,780,742. (Exhibit B-1)
- However, the amount that our taxpayers paid for these activities through property taxes was only \$30,671,771. (Exhibit B-1)
- Some of the cost was paid by those who directly benefited from the programs \$2,325,211, or by grants and contributions \$6,536,583. (Exhibit B-1)

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2015	2014		2015	2014	
Instruction	\$ 21,045,135	\$ 20,059,703	4.91%	\$ (18,396,666)	\$ (17,517,143)	5.02%
School Leadership	1,911,502	1,650,956	15.78%	(1,815,668)	(1,559,263)	16.44%
Plant maintenance & Operations	4,957,522	4,237,010	17.01%	(4,826,659)	(4,110,916)	17.41%
Debt Service-Interest & Fiscal Charges	4,254,276	3,878,614	9.69%	(4,254,276)	(3,878,614)	9.69%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from general governmental fund types (Exhibit C-3) totaled \$45,824,482, 72.32% 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 \$782,586 below final budget amounts. The budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved related to special projects that were funded by designated fund balances from the previous fiscal year. The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$8,899,862 differs from the General Fund's budgetary fund balance of \$8,144,605 reported in the budgetary comparison schedule (Exhibit G-1). This is due to higher than expected revenues as one-time budgeted equipment expenditures planned for the year not being fully expended as of August 31, 2015.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had invested a net \$81,606,251 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 \$3,573,735 over last year due to 2014-2015 new construction projects. The \$36 million bond program construction is still in progress with the final projects should be completed by the end of 2016.

Table A-4			
Tuloso-Midway Independent School District's Capital Assets			
	Governmental Activities		Total Percentage Change
	2015	2014	2015-2014
Land	\$ 964,228	\$ 941,178	2.4%
Construction in Progress	7,650,712	13,076,683	-41.5%
Buildings and improvements	101,406,192	88,978,573	14.0%
Furniture & Equipment	5,136,232	5,082,509	1.1%
Vehicles	2,866,265	2,728,013	5.1%
Capital Leases	461,390	461,390	0.0%
Total at historical cost	118,485,019	111,268,346	6.5%
Total accumulated	(36,878,768)	(33,235,830)	11.0%
Net capital assets	<u>\$ 81,606,251</u>	<u>\$ 78,032,516</u>	<u>4.6%</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 \$75,772,301 in long term debt as shown in Table A-5. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

Table A-5			
Tuloso-Midway Independent School District's Long Term Debt			
	Governmental Activities		Total Percentage Change
	2015	2014	2015-2014
Leases Payable	\$ 20,281	\$ 101,894	-80.10%
Bonds Payable	71,410,000	74,168,634	-3.72%
Accretion Payable	-	75,000	-100.00%
Maintenance Tax Note	3,576,202	3,849,795	-7.11%
Premium	645,393	-	100.00%
Leave Liability	120,425	125,835	-4.30%
Total bonds & leases	<u>\$ 75,772,301</u>	<u>\$ 78,321,158</u>	<u>-3.25%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- Tuloso-Midway ISD held a tax ratification election (TRE) on September 11, 2010 requesting the maximum M&O tax increase of \$0.13 allowed by the State. The issue was approved by 110 votes for and 7 votes against. The measure involved a tax rate swap between the M&O and I&S funds of the \$.13. The overall tax rate remained \$1.3322. This M&O tax increase provided an additional \$2.1 million in equalized state revenue for 2010-2011 and 2011-2012.
- Appraised values for the October 2014 tax levy increased \$17.2 million or .78% over the prior year (Exhibit J-1). These are primarily due to increases in industrial values in the District.
- The District experienced an October 2014 snapshot enrollment increase of 55 students (3,828 to 3,883) for the 2014-15 year. Average Daily Attendance (ADA) increased 40.555 (3,618.552 to 3,659.107) for 1.1% growth. October 2015 snapshot enrollment is 3,841 (42 student decrease).
- General Fund spending per student (October AEIS snapshot enrollment) increased from \$7,986 to \$8,171 from 2013-2014 to 2014-2015.
- The District presently is working with an interim superintendent and the School Board will perform a search for a replacement sometime in the future.
- Due to continued rising property values the District paid Chapter 41 recapture amounts of \$22,543 (2012-2013), \$0- (2013-2014) and \$194,944 (2014-2015).

After three years of significant property value increases the 2015 property values reflected virtually no increase resulting in a reduction in State revenues of \$2.1 million for 15-16. The District's effective M&O tax rate was \$1.17 because of the 2010 TRE election, however the District adopted a M&O rate of only \$1.09. Therefore, the District adopted a deficit budget of \$1,074,667 for 15-16, which includes \$525,000 budgeted from the 2013-2014 General Fund surplus for a one time retention incentive of \$1,000 for all full-time employees (prorated for less than full time) during the 15-16 year. The actual expenditure total for the retention incentive was \$500,746. There were no permanent salary increases for 15-16.

The 2016 property values have increased \$202 million for a 9.2% increase over the prior year resulting in an estimated General Fund State revenue increase of \$538,000. The total tax rate for 15-16 was reduced from \$1.3945 to \$1.3774. A balance budget was adopted for the 2015-2016 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 in 2017. 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 4th, 2015 the District's voters approved authorizing the Board of Trustees to purchase attendance credits from the state with local tax revenues (aka – make recapture payments).

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 Fall 2016. Due to increased construction costs \$700,000 of General Fund Balance has been transferred to the Bond Fund. An additional \$700,000 has been assigned to fund more of these additional expenditures. All authorized bonds for the 2011 bond program have been sold as of August 31, 2015.

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, roof) and 100% of the interior. A 20,000 square foot facility is under construction at the High School, while a second 12,000 square foot dome structure is under construction at the Intermediate Elementary campus. Both structures are scheduled to be completed by Summer 2016 During 13-14 the District committed and transferred \$3,000,000 from the General Fund Balance to provide funds toward the District's share of construction and 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, 2015

EXHIBIT A-1

		1	2	3
		Primary Government		
Data				
Control			Business	
Codes		Governmental	Type	
		Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 6,973,980	\$ 314,057	\$ 7,288,037
1120	Current Investments	9,617,212	-	9,617,212
1220	Property Taxes Receivable (Delinquent)	864,660	-	864,660
1230	Allowance for Uncollectible Taxes	(289,661)	-	(289,661)
1240	Due from Other Governments	3,906,050	-	3,906,050
1290	Other Receivables, net	14,741	-	14,741
1300	Inventories	108,320	-	108,320
1410	Prepayments	433,809	-	433,809
	Capital Assets:			
1510	Land	964,228	-	964,228
1520	Buildings, Net	71,284,452	-	71,284,452
1530	Furniture and Equipment, Net	1,670,459	-	1,670,459
1550	Leased Property Under Capital Leases, Net	36,400	-	36,400
1580	Construction in Progress	7,650,712	-	7,650,712
1000	Total Assets	103,235,362	314,057	103,549,419
DEFERRED OUTFLOWS OF RESOURCES				
1705	Deferred Outflow Related to TRS	788,879	-	788,879
1700	Total Deferred Outflows of Resources	788,879	-	788,879
LIABILITIES				
2110	Accounts Payable	1,311,776	-	1,311,776
2140	Interest Payable	176,700	-	176,700
2150	Payroll Deductions & Withholdings	13,408	-	13,408
2160	Accrued Wages Payable	114,151	4,406	118,557
2180	Due to Other Governments	21,088	-	21,088
2300	Unearned Revenue	84,407	-	84,407
	Noncurrent Liabilities			
2501	Due Within One Year	3,966,486	-	3,966,486
2502	Due in More Than One Year	71,805,815	-	71,805,815
2540	Net Pension Liability (District's Share)	2,856,969	-	2,856,969
2000	Total Liabilities	80,350,800	4,406	80,355,206
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred Resource Inflow for TRS	873,956	-	873,956
2600	Total Deferred Inflows of Resources	873,956	-	873,956
NET POSITION				
3200	Net Investment in Capital Assets	6,621,447	-	6,621,447
	Restricted:			
3820	Restricted for Federal and State Programs	154,215	-	154,215
3850	Restricted for Debt Service	742,784	-	742,784
3860	Restricted for Capital Projects	9,602,522	-	9,602,522
3880	Restricted for Other Purposes	1,144,816	-	1,144,816
3900	Unrestricted	4,533,701	309,651	4,843,352
3000	Total Net Position	\$ 22,799,485	\$ 309,651	\$ 23,109,136

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, 2015

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 21,045,135	\$ -	\$ 2,648,469
12 Instructional Resources and Media Services	395,946	-	18,269
13 Curriculum and Staff Development	160,097	-	129,207
21 Instructional Leadership	506,251	-	27,327
23 School Leadership	1,911,502	-	95,834
31 Guidance, Counseling and Evaluation Services	1,308,662	-	253,255
32 Social Work Services	14,504	-	-
33 Health Services	318,117	-	16,463
34 Student (Pupil) Transportation	1,169,114	-	45,645
35 Food Services	2,481,984	774,818	2,243,511
36 Extracurricular Activities	2,402,125	1,056,206	854,795
41 General Administration	1,513,606	480,271	47,236
51 Facilities Maintenance and Operations	4,957,522	13,916	116,947
52 Security and Monitoring Services	302,688	-	3,102
53 Data Processing Services	469,606	-	24,309
61 Community Services	11,425	-	12,214
72 Debt Service - Interest on Long Term Debt	4,036,604	-	-
73 Debt Service - Bond Issuance Cost and Fees	217,672	-	-
91 Contracted Instructional Services Between Schools	194,944	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	32,863	-	-
99 Other Intergovernmental Charges	330,375	-	-
[TG] Total Governmental Activities:	43,780,742	2,325,211	6,536,583
BUSINESS-TYPE ACTIVITIES:			
01 Enterprise Funds - Locally Defined	208,878	247,058	-
[TB] Total Business-Type Activities:	208,878	247,058	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 43,989,620	\$ 2,572,269	\$ 6,536,583
Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		
DT	Property Taxes, Levied for Debt Service		
SF	State Aid - Formula Grants		
IE	Investment Earnings		
FR	Transfers In (Out)		
TR	Total General Revenues & Transfers		
CN	Change in Net Position		
NB	Net Position - Beginning		
PA	Prior Period Adjustment		
NE	Net Position--Ending		

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (18,396,666)	\$ -	\$ (18,396,666)
(377,677)	-	(377,677)
(30,890)	-	(30,890)
(478,924)	-	(478,924)
(1,815,668)	-	(1,815,668)
(1,055,407)	-	(1,055,407)
(14,504)	-	(14,504)
(301,654)	-	(301,654)
(1,123,469)	-	(1,123,469)
536,345	-	536,345
(491,124)	-	(491,124)
(986,099)	-	(986,099)
(4,826,659)	-	(4,826,659)
(299,586)	-	(299,586)
(445,297)	-	(445,297)
789	-	789
(4,036,604)	-	(4,036,604)
(217,672)	-	(217,672)
(194,944)	-	(194,944)
(32,863)	-	(32,863)
(330,375)	-	(330,375)
(34,918,948)	-	(34,918,948)
-	38,180	38,180
-	38,180	38,180
(34,918,948)	38,180	(34,880,768)
26,428,011	-	26,428,011
4,243,760	-	4,243,760
6,589,976	-	6,589,976
59,504	-	59,504
121	-	121
37,321,372	-	37,321,372
2,402,424	38,180	2,440,604
23,634,019	271,471	23,905,490
(3,236,958)	-	(3,236,958)
\$ 22,799,485	\$ 309,651	\$ 23,109,136

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	20 Haz.Mit FEMA Fund	50 Debt Service Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 4,213,493	\$ -	\$ -
1120 Investments - Current	1,093,250	-	742,516
1220 Property Taxes - Delinquent	705,381	-	159,279
1230 Allowance for Uncollectible Taxes (Credit)	(236,303)	-	(53,358)
1240 Receivables from Other Governments	998,186	2,501,391	267
1260 Due from Other Funds	2,628,178	-	-
1290 Other Receivables	1,242	-	-
1300 Inventories	103,389	-	-
1410 Prepayments	433,809	-	-
1000 Total Assets	<u>\$ 9,940,625</u>	<u>\$ 2,501,391</u>	<u>\$ 848,704</u>
LIABILITIES			
2110 Accounts Payable	\$ 270,035	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	13,408	-	-
2160 Accrued Wages Payable	114,151	-	-
2170 Due to Other Funds	108,406	2,501,391	-
2180 Due to Other	13	-	-
2300 Unearned Revenues	65,672	-	-
2000 Total Liabilities	<u>571,685</u>	<u>2,501,391</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	469,078	-	105,920
2600 Total Deferred Inflows of Resources	<u>469,078</u>	<u>-</u>	<u>105,920</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	103,389	-	-
3430 Prepaid Items	433,809	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	-	742,784
Committed Fund Balance:			
3510 Construction	-	-	-
Assigned Fund Balance:			
3550 Construction	700,000	-	-
3570 Capital Expenditures for Equipment	84,261	-	-
3590 Other Assigned Fund Balance	102,656	-	-
3600 Unassigned Fund Balance	7,475,747	-	-
3000 Total Fund Balances	<u>8,899,862</u>	<u>-</u>	<u>742,784</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 9,940,625</u>	<u>\$ 2,501,391</u>	<u>\$ 848,704</u>

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ 2,285,684	\$ 6,499,177
6,171,055	1,610,391	9,617,212
-	-	864,660
-	-	(289,661)
-	406,206	3,906,050
-	-	2,628,178
-	13,500	14,742
-	4,931	108,320
-	-	433,809
<u>\$ 6,171,055</u>	<u>\$ 4,320,712</u>	<u>\$ 23,782,487</u>
\$ 285,273	\$ 670,864	\$ 1,226,172
-	-	13,408
-	-	114,151
-	18,381	2,628,178
-	21,075	21,088
-	18,735	84,407
<u>285,273</u>	<u>729,055</u>	<u>4,087,404</u>
-	-	574,998
-	-	574,998
-	4,931	108,320
-	-	433,809
-	45,895	45,895
-	-	742,784
5,885,782	3,016,741	8,902,523
-	-	700,000
-	-	84,261
-	524,090	626,746
-	-	7,475,747
<u>5,885,782</u>	<u>3,591,657</u>	<u>19,120,085</u>
<u>\$ 6,171,055</u>	<u>\$ 4,320,712</u>	<u>\$ 23,782,487</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, 2015

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 19,120,084
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.	389,199
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 \$97,250,485 and the accumulated depreciation was (\$33,235,830). 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.	(3,525,601)
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 2015 capital outlays and debt principal payments is to decrease net position.	9,599,217
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 2,942,046, a Deferred Resource Inflow related to TRS in the amount of \$873,956 and a Deferred Resource Outflow related to TRS in the amount of \$788,879. This amounted to a decrease in Net Position in the amount of \$2,942,046.	2,942,046
5 The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(3,653,324)
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.	(2,072,136)
19 Net Position of Governmental Activities	\$ 22,799,485

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, 2015

Data Control Codes		10 General Fund	20 Haz.Mit FEMA Fund	50 Debt Service Fund
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 24,658,506	\$ -	\$ 6,698,340
5800	State Program Revenues	6,047,027	-	-
5900	Federal Program Revenues	629,287	2,501,391	-
5020	Total Revenues	31,334,820	2,501,391	6,698,340
EXPENDITURES:				
Current:				
0011	Instruction	17,404,902	-	-
0012	Instructional Resources and Media Services	353,722	-	-
0013	Curriculum and Instructional Staff Development	29,611	-	-
0021	Instructional Leadership	418,661	-	-
0023	School Leadership	1,738,834	-	-
0031	Guidance, Counseling and Evaluation Services	959,106	-	-
0033	Health Services	297,936	-	-
0034	Student (Pupil) Transportation	984,829	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	1,385,137	-	-
0041	General Administration	1,420,117	-	-
0051	Facilities Maintenance and Operations	4,772,011	-	-
0052	Security and Monitoring Services	201,436	-	-
0053	Data Processing Services	472,718	-	-
0061	Community Services	-	-	-
Debt Service:				
0071	Principal on Long Term Debt	432,205	-	2,858,636
0072	Interest on Long Term Debt	152,726	-	3,707,178
0073	Bond Issuance Cost and Fees	40,618	-	152,998
Capital Outlay:				
0081	Facilities Acquisition and Construction	15,590	2,501,391	-
Intergovernmental:				
0091	Contracted Instructional Services Between Schools	194,944	-	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	32,863	-	-
0099	Other Intergovernmental Charges	330,375	-	-
6030	Total Expenditures	31,638,341	2,501,391	6,718,812
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(303,521)	-	(20,472)
OTHER FINANCING SOURCES (USES):				
7911	Capital Related Debt Issued (Regular Bonds)	-	-	-
7912	Sale of Real and Personal Property	121	-	-
7914	Non-Current Loans - Refund of Bonds	2,002,000	-	7,645,000
7915	Transfers In	-	-	-
7916	Premium or Discount on Issuance of Bonds	-	-	645,393
8911	Transfers Out (Use)	(700,000)	-	-
8949	Other (Uses) - Refund of Bonds	(1,925,000)	-	(8,045,000)
7080	Total Other Financing Sources (Uses)	(622,879)	-	245,393
1200	Net Change in Fund Balances	(926,400)	-	224,921
0100	Fund Balance - September 1 (Beginning)	9,826,262	-	517,863
3000	Fund Balance - August 31 (Ending)	\$ 8,899,862	\$ -	\$ 742,784

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 12,179	\$ 1,769,100	\$ 33,138,125
-	661,681	6,708,708
-	2,846,971	5,977,649
12,179	5,277,752	45,824,482
-	1,754,669	19,159,571
-	-	353,722
-	129,156	158,767
-	7,004	425,665
-	6,208	1,745,042
-	208,489	1,167,595
-	-	297,936
-	-	984,829
-	2,243,511	2,243,511
-	812,854	2,197,991
-	-	1,420,117
48,958	82,669	4,903,638
90,620	-	292,056
-	-	472,718
-	12,213	12,213
-	-	3,290,841
-	-	3,859,904
24,056	-	217,672
2,896,424	1,550,985	6,964,390
-	-	194,944
-	-	32,863
-	-	330,375
3,060,058	6,807,758	50,726,360
(3,047,879)	(1,530,006)	(4,901,878)
500,000	-	500,000
-	-	121
-	-	9,647,000
700,000	-	700,000
-	-	645,393
-	-	(700,000)
-	-	(9,970,000)
1,200,000	-	822,514
(1,847,879)	(1,530,006)	(4,079,364)
7,733,661	5,121,663	23,199,449
\$ 5,885,782	\$ 3,591,657	\$ 19,120,085

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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, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ (4,079,365)
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.	23,509
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.	9,599,217
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.	(3,653,324)
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.	217,475
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 \$558,989. 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 \$N/A . 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 \$264,077 for pension expense columns 6 - 12 from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period were \$229,890. This caused a net decrease in the change in net position of \$264,077. The impact of all of these is to increase the change in net position by \$294,912.	294,912
Change in Net Position of Governmental Activities	\$ 2,402,424

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, 2015

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 314,057	\$ 26,246
Investments - Current	-	448,557
Total Assets	314,057	474,803
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	85,604
Accrued Wages Payable	4,406	-
Total Liabilities	4,406	85,604
NET POSITION		
Unrestricted Net Position	309,651	389,199
Total Net Position	\$ 309,651	\$ 389,199

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, 2015

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 247,058	\$ 141,089
Total Operating Revenues	<u>247,058</u>	<u>141,089</u>
OPERATING EXPENSES:		
Payroll Costs	181,132	-
Professional and Contracted Services	145	50,537
Supplies and Materials	9,657	-
Other Operating Costs	-	67,043
Capital Outlay	17,944	-
Total Operating Expenses	<u>208,878</u>	<u>117,580</u>
Operating Income	38,180	23,509
Total Net Position - September 1 (Beginning)	<u>271,471</u>	<u>365,690</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 309,651</u></u>	<u><u>\$ 389,199</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, 2015

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	\$ 247,057	141,089	388,146
Other Receipts	-	-	-
Total Receipts	<u>\$ 247,057</u>	<u>141,089</u>	<u>388,146</u>
Cash Flows for Operating Activities			
Administrative	\$ (209,407)	(114,560)	(323,967)
Other Administrative Costs	0	0	0
Operating and Maintenance	0	0	0
Net Cash Flows for Operating Activities	<u>\$ (209,407)</u>	<u>(114,560)</u>	<u>(323,967)</u>
Net Cash Provided by Operating Activities	<u>\$ 37,650</u>	<u>26,529</u>	<u>64,179</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>\$ 37,650</u>	<u>26,529</u>	<u>64,179</u>
Cash at Beginning of Year	<u>\$ 276,407</u>	<u>448,274</u>	<u>724,681</u>
Cash at End of year	<u><u>\$ 314,057</u></u>	<u><u>474,803</u></u>	<u><u>788,860</u></u>
Cash Flows from Operating Activities	\$ 38,179	23,509	61,688
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	(529)	3,020	2,491
Net Cash Provided (Used) in Operation Activities:	<u><u>\$ 37,650</u></u>	<u><u>26,529</u></u>	<u><u>64,179</u></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, 2015

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 80,373
Total Assets	<u>\$ 80,373</u>
LIABILITIES	
Accounts Payable	\$ 200
Due to Student Groups	80,173
Total Liabilities	<u>\$ 80,373</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, 2015

	BALANCE SEPTEMBER 1 2014	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2015
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 94,501	\$ 155,912	\$ 170,040	\$ 80,373
Liabilities:				
Accounts Payable	\$ 7,005	\$ 163,236	\$ 170,041	\$ 200
Due to Student Groups	87,496	-	7,323	80,173
Total Liabilities	\$ 94,501	\$ 163,236	\$ 177,364	\$ 80,373
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 94,501	\$ 155,912	\$ 170,040	\$ 80,373
Liabilities:				
Accounts Payable	\$ 7,005	\$ 163,236	\$ 170,041	\$ 200
Due to Student Groups	87,496	-	7,323	80,173
Total Liabilities	\$ 94,501	\$ 163,236	\$ 177,364	\$ 80,373

NOTES TO FINANCIAL STATEMENTS

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

I. A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Tulo-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, 2015

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, 2015

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, 2015

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, 2015

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	\$ 941,178	\$ -	\$ 941,178	
Buildings	88,978,573	26,925,024	62,053,549	
Furniture & Equipment	5,082,509	4,426,943	655,566	
Vehicles	2,728,013	1,528,195	1,199,818	
Capital Leases	461,390	355,668	105,722	
Construction in Progress	13,076,683	-	13,076,683	
Change in Net Position	\$ 111,268,346	\$ 33,235,830		<u>\$ 78,032,516</u>
Long-term Liabilities at the Beginning of the year				
Bonds and Loans Payable	\$ 78,321,159			
Accreted/Deferred Amts	302,729			
Prior period adjustment(s)	2,934,229			
Change in Net Position				<u>\$ 81,558,117</u>
Net Adjustment to Net Position				<u><u>\$ (3,525,601)</u></u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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	\$ 23,050	\$ 23,050	\$ 23,050
Buildings & Improvements	12,427,619	12,427,619	12,427,619
Furniture & Equipment	202,361	202,361	202,361
Construction in Process	(5,425,971)	(5,425,971)	(5,425,971)
Other	-	-	-
Total Capital Outlay	<u>\$ 7,227,059</u>	<u>\$ 7,227,059</u>	<u>\$ 7,227,059</u>
<u>Debt Principal Payments</u>			
Bond Principal	2,016,952	2,016,952	2,016,952
Loan Principal	273,593	273,593	273,593
Capital Lease Payments	81,613	81,613	81,613
Other	-	-	-
Total Principal Payments	<u>2,372,158</u>	<u>2,372,158</u>	<u>2,372,158</u>
Total Adjustment to Net Position		<u><u>\$ 9,599,217</u></u>	<u><u>\$ 9,599,217</u></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
\$ 574,998	\$ 574,998	\$ 574,998
-	-	-
-	-	-
232,301	294,912	(62,611)
<u>\$ 807,299</u>	<u>\$ 869,910</u>	<u>\$ 512,387</u>

TULOSO MIDWAYINDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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 2014-2015 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, 2015
	<u>Fund Balance</u>
Non-appropriated Budget Funds	\$ 50,826
All Special Revenue Funds	<u>\$ 50,826</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
YEAR ENDED AUGUST 31, 2015

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	\$ 705,381	\$ 159,279	\$ 864,660
Allowance for Uncollectable Taxes	(236,303)	(53,358)	(289,661)
Net Delinquent Taxes Receivable	<u>\$ 469,078</u>	<u>\$ 105,921</u>	<u>\$ 574,999</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, 2015

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, 2015

D. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

None

E. Deposits and Investments

The District's funds are required to be deposited and 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, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$16,116,388 and the bank/investment balance was \$19,272,625. 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 \$10,329,214.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$9,977,281 and occurred during the month of November 2014.
- 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, 2015

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		\$ 195,651
Texas Class		1,760,945
Texas Term Local Government Pool		-
First Public - Lone Star Investment Pool		8,109,172
Total Investments		<u>\$ 10,065,768</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, 2015 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
YEAR ENDED AUGUST 31, 2015

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
YEAR ENDED AUGUST 31, 2015

F. Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 941,178	\$ 23,050	\$ -	\$ 964,228
Construction in Progress	13,076,683	6,835,470	12,261,441	7,650,712
Total Capital assets not being depreciated	<u>14,017,861</u>	<u>6,858,520</u>	<u>12,261,441</u>	<u>8,614,940</u>
<i>Capital Asset being depreciated:</i>				
Buildings and improvements	88,978,573	12,427,619	-	101,406,192
Equipment	5,082,509	53,723	-	5,136,232
Vehicles	2,728,013	148,638	10,386	2,866,265
Capital Leases	461,390	-	-	461,390
Total capital assets being depreciated	<u>97,250,485</u>	<u>12,629,980</u>	<u>10,386</u>	<u>109,870,079</u>
Less accumulated depreciation for:				
Buildings and improvements	(26,925,024)	(3,196,716)	-	(30,121,740)
Equipment	(4,426,943)	(209,846)	-	(4,636,789)
Vehicles	(1,528,195)	(177,440)	(10,386)	(1,695,249)
Capital Leases	(355,668)	(69,322)	-	(424,990)
Total accumulated depreciation	<u>(33,235,830)</u>	<u>(3,653,324)</u>	<u>(10,386)</u>	<u>(36,878,768)</u>
Total capital assets being depreciated, net	<u>64,014,655</u>	<u>8,976,656</u>	<u>-</u>	<u>72,991,311</u>
Governmental activities capital assets, net	<u>\$ 78,032,516</u>	<u>\$ 15,835,176</u>	<u>\$ 12,261,441</u>	<u>\$ 81,606,251</u>
Depreciation was charged to functions as follows:				
Instruction	\$ 1,966,759			
Instruction Resources and Media Services	45,236			
Curriculum and Staff Development	2,206			
Instructional Leadership	84,720			
School Leadership	186,302			
Guidance, Counseling, & Evaluation Services	153,849			
Social Work Services	14,504			
Health Services	23,064			
Student Transportation	190,019			
Food Services	238,473			
Extracurricular Activities	214,279			
General Administration	109,376			
Plant Maintenance and Operations	413,042			
Security and Monitoring Services	11,331			
Data Processing	8			
Community Services	156			
Total Depreciation	<u>\$ 3,653,324</u>			

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2015, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 108,406	Short-term loans
General Fund	Major Fund	2,501,391	Short-term loans
General Fund	Other Governmental Funds	18,381	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>\$2,628,178</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, 2015, were as follows:

	Property Taxes - Net	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 469,078	\$ 998,186	\$ 2,628,178	\$ 1,242	\$ 4,096,684
Major Governmental Funds	105,921	2,501,658	-	-	2,607,579
Non-major Governmental Funds	-	406,206	-	13,500	419,706
Total - Governmental Activities	<u>\$ 574,999</u>	<u>\$ 3,906,050</u>	<u>\$ 2,628,178</u>	<u>\$ 14,742</u>	<u>\$ 7,123,969</u>

Payables at August 31, 2015, were as follows:

	Accounts	Loans, Leases and Bonds Payable- Current Year	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Other	Total Payables
Governmental Activities:							
General Fund	\$ 270,035	\$ 3,966,486	\$ 127,559	\$ 108,406	\$ 13	\$ -	\$ 4,472,499
Major Gov. Fund	285,273	-	-	2,501,391	-	-	2,786,664
Non-major Gov. Funds	670,864	-	-	18,381	-	21,075	710,320
Total - Gov. Activities	<u>\$ 1,226,172</u>	<u>\$ 3,966,486</u>	<u>\$ 127,559</u>	<u>\$ 2,628,178</u>	<u>\$ 13</u>	<u>\$ 21,075</u>	<u>\$ 7,969,483</u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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, 2015, are as follow:

	Beginning			Ending	Amounts
<u>Governmental activities:</u>	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>Due Within</u>
					<u>One Year</u>
Refunding Bonds 2005 3.5%-4.20%, (mat. 2/15/26)	\$ 8,118,635	\$ -	\$ 8,118,635	\$ -	\$ -
Refunding Bonds 2006 3.5%-4.15%, (mat. 2/15/27)	6,885,000	-	335,000	6,550,000	700,000
Building Bonds Series 2007 4.00%-5.00%, (mat.2/15/37)	8,860,000	-	225,000	8,635,000	235,000
Building Bonds Series 2008 4.00%-5.00%, (mat. 8/15/38)	12,420,000	-	285,000	12,135,000	295,000
Building Bonds Series 2009 3.00%-5.00%, (mat. 8/15/39)	4,325,000	-	480,000	3,845,000	150,000
Refunding Bonds 2010 2.00%-2.50%, (mat. 8/15/17)	550,000	-	180,000	370,000	185,000
Building Bonds Series 2012 2.00%-3.375%, (mat. 8/15/32)	8,815,000	-	380,000	8,435,000	390,000
Building Bonds Series 2014 2.00%-5.00%, (mat. 8/15/33)	14,815,000	-	535,000	14,280,000	545,000
Building Bonds, Series 2014 2.00%-4.00%, (mat. 8/15/33)	9,380,000	-	315,000	9,065,000	230,000
Ref.Bds 2014,2-4.00%, mat.2/15/26	-	7,645,000	50,000	7,595,000	680,000
Bldg.Bds, Series 2015,2-4%,2/15/18	-	500,000	-	500,000	165,000
Capital leases	101,894	-	81,613	20,281	6,494
Maint.Tax Note 4.38%,mat. 8/15/23	1,769,795	-	164,593	1,605,202	171,815
Maintenance Tax Note, 3.78% mat. 8/15/25	2,080,000	-	2,080,000	-	-
Maintenance Tax Note, 2.310%, mat. 2/15/25	-	2,002,000	31,000	1,971,000	176,000
Bond Premium	-	645,393	-	645,393	13,092
Accretion	75,000	-	75,000	-	-
Compensated absences	125,835	20,495	25,905	120,425	24,085
Total governmental activities	<u>\$ 78,321,159</u>	<u>\$ 10,812,888</u>	<u>\$ 13,361,746</u>	<u>\$ 75,772,301</u>	<u>\$ 3,966,486</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, 2015

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2015, are as follows:

	Governmental Activities		
Year Ending	Principal	Interest	Total
August 31,			
2016	\$ 3,575,000	\$ 2,830,071	\$ 6,405,071
2017	3,681,000	2,721,188	6,402,188
2018	3,824,000	2,595,898	6,419,898
2019	3,950,000	2,461,372	6,411,372
2020	4,100,000	2,319,672	6,419,672
Thereafter	52,280,000	18,747,809	71,027,809
Totals	\$ 71,410,000	\$ 31,676,010	\$ 103,086,010

	Governmental Activities - Notes		
Year Ending	Principal	Interest	Total
August 31,			
2016	\$ 347,815	\$ 113,934	\$ 461,749
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
Thereafter	1,716,350	121,209	1,837,559
Totals	\$ 3,576,201	\$ 569,991	\$ 4,146,192

3. Advance Refunding of Debt

On November 15, 2005, the District issued Series 2005 bonds totaling \$9,160,000 with interest rates ranging from 3.50% to 4.00% to advance refund a portion of the Series 2000 Bonds and Series 1997 Bonds. The net proceeds of \$9,723,349 (after payment of \$161,132 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, and to pay additional issuance costs and fees totaling \$161,132. As a result, \$4,540,000 of Series 2000 Bonds and \$4,620,000 of the Series 1997 bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt. The District advance refunded the Series 2000 and 1997 bonds to reduce its total debt service payments over the next 20 years by \$1,443,162 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$829,846. 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 March 30, 2006, the District issued Series 2006 Bonds totaling \$9,440,000 with interest rates ranging from 3.50% to 4.15% to advance refund a portion of the Series 1997, 1999, 2000 and 2001 Bonds. The net proceeds of \$9,766,787 (after payment of \$163,588 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 of the refunded bonds, and to pay additional issuance costs and fees totaling \$163,588. As a result, \$1,990,000 of Series 1997 bonds; \$3,765,000 of Series 1999; \$1,220,000 of Series 2000; and \$2,465,000 of Series 2001 are considered to be defeased and the liability for those bonds have been removed from long-term debt.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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.

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.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

4. Capital Leases

Commitments under capitalized lease agreement for facilities and equipment provide for minimum futures of August 31, 2015, as follows:

<u>Year Ending August 31:</u>	
2016	\$ 7,316
2017	7,316
2018	7,316
2019	-
2020	-
Total Minimum Lease Payments	<u>\$ 21,948</u>
Less Interest Due	<u>(1,667)</u>
Total Minimum Rentals	<u>\$ 20,281</u>

The effective interest rate on capital leases is 4.057%

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, 2015, 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	\$ 998,186	\$ -	\$ -	\$ 998,186
Special Revenue	201,511	2,531,986	174,367	2,907,864
Total	<u>\$ 1,199,697</u>	<u>\$ 2,531,986</u>	<u>\$ 174,367</u>	<u>\$ 3,906,050</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 2015, 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
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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 2015 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	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	<u>(132,779,243,085)</u>
Net Pension Liability	<u>\$ 26,716,832,801</u>
Net Position as percentage of Total Pension Liability	-83.25%

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 2015 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 2015 as discussed in Note 1 of the TRS 2015 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2015.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Tuloso Midway ISD 2014 Employer Contributions	\$	271,166
Tuloso Midway ISD 2014 Member Contributions	\$	1,276,781
Tuloso Midway ISD 2014 NECE On-Behalf Contributions	\$	1,110,786

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, 2014
Actuarial Cost Method	Individual Entry
Age Normal	
Amortization Method	Level Percentage
of Payroll, Open	
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market
Value	
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%
*Includes Inflation of 3%	

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. 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 2015, 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:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha	0%	0.0%	1.0%
Total	100%		8.7%

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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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 2015 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:	\$ 5,105,231	\$ 2,856,969	\$ 1,175,688

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 \$2,856,969 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	\$ 2,856,969
State's proportionate share that is associated with the District	11,728,072
Total	<u>\$ 14,585,041</u>

The net pension liability was measured as of August 31, 2014 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, 2013 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .0106957%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

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

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, Tuloso-Midway Independent School District recognized pension expense of \$1,084,238 and revenue of \$1,084,238 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
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 44,184	\$ -
Changes in actuarial assumptions	185,706	-
Difference between projected and actual investment earnings	-	873,207
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	749
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	-	-
Total	\$ 229,890	\$ 873,956

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
2015	\$ (179,646)
2016	(179,646)
2017	(179,646)
2018	(179,646)
2019	38,656
Thereafter	35,862

At June 30, 2015, 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	\$ 229,890	\$ 873,956
Contributions made subsequent to the Measurement Date	\$ 558,989	\$ -
2015 Amortization of Deferred Outflows and Inflows	\$ -	\$ -
Reported by District	\$ 788,879	\$ 873,956

L. HEALTH CARE COVERAGE

Retiree Health Care Plan **Plan Description**

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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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 2015–2012.

Contribution Rates						
Active Member			State		School District	
Year	Rate	Amount	Rate	Amount	Rate	Amount
2015	.65%	\$134,222	1.0%	\$206,495	.55%	\$103,248
2014	.65%	\$129,673	1.0%	\$199,497	.55%	\$109,723
2013	.65%	\$118,811	.5%	\$91,393	.55%	\$100,532

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 2015, 2014, and 2013 were \$62,215, \$53,193, and \$47,684 respectively.

M. Employee Health Care Coverage

During the year ended August 31, 2015, 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, 2015, 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, 2015

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	\$ 469,078	\$ -	\$ 105,920	\$ 574,998
State & Federal Governments	-	-	-	-
Total Deferred Revenue	<u>\$ 469,078</u>	<u>\$ -</u>	<u>\$ 105,920</u>	<u>\$ 574,998</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	\$ 65,672	\$ 18,735	\$ -	\$ 84,407
Total Unearned Revenue	<u>\$ 65,672</u>	<u>\$ 18,735</u>	<u>\$ -</u>	<u>\$ 84,407</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	\$ 23,761,404	\$ 6,653,906	\$ -	\$ 30,415,310
Penalties, Interest and Other Tax-related Income	169,741	28,130	-	197,871
Investment Income	25,127	34,925	-	60,052
Food Sales	-	771,473	-	771,473
Co-curricular Student Activities	130,186	-	988,087	1,118,273
Other	572,048	-	3,098	575,146
Total	<u>\$ 24,658,506</u>	<u>\$ 7,488,434</u>	<u>\$ 991,185</u>	<u>\$ 33,138,125</u>

R. Subsequent Events

On October 27, 2015 the outstanding the Refunding Bonds Series 2006 in the amount of \$5,850,000 were refunded and refinanced for an average annual savings of 56,605.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

S. Prior Period Adjustments

During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is (3,236,958). The restated beginning net position is \$2,281,951 less the prior period adjustment of \$(3,236,958) equals \$1,650,976.

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 government funds. The classifications are as follows:

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

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

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.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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

District Fund Balance Policy

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

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	\$ 108,320
Pre-paids	433,809
Committed	
Construction	8,902,523
Restricted	
Federal/State Grants	45,895
Retirement of Long Term Debt	742,784
Assigned Fund Balances	
Construction	700,000
Capital Expenditures for Equipment	84,261
Other Assigned Fund Balance	626,746
Undesignated/Unassigned	
Unassigned Fund Balance	7,475,747
Total Fund Balances	<u><u>\$ 19,120,085</u></u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

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 2014-2015		<u>\$ 787,045</u>
b) Subtract any non-medical expenditures		
Life Insurance	\$ 6,231	
Long-term Disability	<u>3,836</u>	<u>10,067</u>
c) 2014-2015 Maintenance of Effort		<u><u>\$ 776,978</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, 2015

EXHIBIT G-1

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	\$ 24,554,355	\$ 24,749,426	\$ 24,658,506	\$ (90,920)
5800	State Program Revenues	5,720,384	5,904,214	6,047,027	142,813
5900	Federal Program Revenues	433,075	602,559	629,287	26,728
5020	Total Revenues	30,707,814	31,256,199	31,334,820	78,621
	EXPENDITURES:				
	Current:				
0011	Instruction	17,426,286	17,535,768	17,404,902	130,866
0012	Instructional Resources and Media Services	355,838	354,168	353,722	446
0013	Curriculum and Instructional Staff Development	43,342	31,714	29,611	2,103
0021	Instructional Leadership	438,357	451,718	418,661	33,057
0023	School Leadership	1,735,564	1,741,617	1,738,834	2,783
0031	Guidance, Counseling and Evaluation Services	1,038,968	999,134	959,106	40,028
0033	Health Services	310,087	303,184	297,936	5,248
0034	Student (Pupil) Transportation	1,079,598	1,088,466	984,829	103,637
0036	Extracurricular Activities	1,432,429	1,406,025	1,385,137	20,888
0041	General Administration	1,374,408	1,508,846	1,420,117	88,729
0051	Facilities Maintenance and Operations	4,701,427	4,932,843	4,772,011	160,832
0052	Security and Monitoring Services	220,763	207,953	201,436	6,517
0053	Data Processing Services	478,019	660,165	472,718	187,447
	Debt Service:				
0071	Principal on Long Term Debt	455,663	432,207	432,205	2
0072	Interest on Long Term Debt	155,297	152,727	152,726	1
0073	Bond Issuance Cost and Fees	-	40,618	40,618	-
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	15,591	15,590	1
	Intergovernmental:				
0091	Contracted Instructional Services Between Schools	189,435	194,944	194,944	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	27,000	32,864	32,863	1
0099	Other Intergovernmental Charges	325,000	330,375	330,375	-
6030	Total Expenditures	31,787,481	32,420,927	31,638,341	782,586
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,079,667)	(1,164,728)	(303,521)	861,207
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	5,000	5,000	121	(4,879)
7913	Capital Leases	-	101,071	-	(101,071)
7914	Non-Current Loans - Refund of Bonds	-	2,002,000	2,002,000	-
8911	Transfers Out (Use)	-	(700,000)	(700,000)	-
8949	Other (Uses) - Refund of Bonds	-	(1,925,000)	(1,925,000)	-
7080	Total Other Financing Sources (Uses)	5,000	(516,929)	(622,879)	(105,950)
1200	Net Change in Fund Balances	(1,074,667)	(1,681,657)	(926,400)	755,257
0100	Fund Balance - September 1 (Beginning)	9,826,262	9,826,262	9,826,262	-
3000	Fund Balance - August 31 (Ending)	\$ 8,751,595	\$ 8,144,605	\$ 8,899,862	\$ 755,257

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, 2015

EXHIBIT G-2

	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0106957%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,856,969
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	11,728,072
Total	<u>\$ 14,585,041</u>
District's Covered-Employee Payroll	\$ 19,949,694
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	14.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "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 2015

EXHIBIT G-3

	<u>2015</u>
Contractually Required Contribution	\$ 558,989
Contribution in Relation to the Contractually Required Contribution	(558,989)
Contribution Deficiency (Excess)	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 20,650,249
Contributions as a Percentage of Covered-Employee Payroll	2.71%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "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, 2015

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 136,805
1120	Investments - Current	-	-	-	-
1240	Receivables from Other Governments	10,726	16,720	676	174,100
1290	Other Receivables	-	-	-	13,500
1300	Inventories	-	-	-	4,931
1000	Total Assets	<u>\$ 10,726</u>	<u>\$ 16,720</u>	<u>\$ 676</u>	<u>\$ 329,336</u>
LIABILITIES					
2110	Accounts Payable	\$ 657	\$ 10,943	\$ 614	\$ 252,504
2170	Due to Other Funds	10,069	5,777	62	-
2180	Due to Other	-	-	-	21,075
2300	Unearned Revenues	-	-	-	4,931
2000	Total Liabilities	<u>10,726</u>	<u>16,720</u>	<u>676</u>	<u>278,510</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	4,931
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	45,895
Committed Fund Balance:					
3510	Construction	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,826</u>
4000	Total Liabilities and Fund Balances	<u>\$ 10,726</u>	<u>\$ 16,720</u>	<u>\$ 676</u>	<u>\$ 329,336</u>

EXHIBIT H-1 (Cont'd)

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	397 Advanced Placement Incentives	410 State Textbook Fund	461 Campus Activity Funds	462 Tuloso Education Foundation	481 Del Mar Dual Credit	496 County Diabetes Fund
\$ -	\$ -	\$ -	\$ -	\$ 149,976	\$ 9,999	\$ 203	\$ 3,602
-	-	-	-	379,986	-	-	-
-	2,473	-	201,511	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 2,473</u>	<u>\$ -</u>	<u>\$ 201,511</u>	<u>\$ 529,962</u>	<u>\$ 9,999</u>	<u>\$ 203</u>	<u>\$ 3,602</u>
\$ -	\$ -	\$ -	\$ 201,511	\$ 5,872	\$ -	\$ -	\$ -
-	2,473	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	9,999	203	3,602
<u>-</u>	<u>2,473</u>	<u>-</u>	<u>201,511</u>	<u>5,872</u>	<u>9,999</u>	<u>203</u>	<u>3,602</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	524,090	-	-	-
-	-	-	-	524,090	-	-	-
<u>\$ -</u>	<u>\$ 2,473</u>	<u>\$ -</u>	<u>\$ 201,511</u>	<u>\$ 529,962</u>	<u>\$ 9,999</u>	<u>\$ 203</u>	<u>\$ 3,602</u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes		Total Nonmajor Special Revenue Funds	650 Capital Projects Fund 20 Million	655 Capital Projects Fund	675 Capital Projects Fund 27.3 Million
ASSETS					
1110	Cash and Cash Equivalents	\$ 300,585	\$ -	\$ 1,985,099	\$ -
1120	Investments - Current	379,986	8,411	6,940	-
1240	Receivables from Other Governments	406,206	-	-	-
1290	Other Receivables	13,500	-	-	-
1300	Inventories	4,931	-	-	-
1000	Total Assets	<u>\$ 1,105,208</u>	<u>\$ 8,411</u>	<u>\$ 1,992,039</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ 472,101	\$ -	\$ 172,345	\$ -
2170	Due to Other Funds	18,381	-	-	-
2180	Due to Other	21,075	-	-	-
2300	Unearned Revenues	18,735	-	-	-
2000	Total Liabilities	<u>530,292</u>	<u>-</u>	<u>172,345</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	4,931	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	45,895	-	-	-
Committed Fund Balance:					
3510	Construction	-	8,411	1,819,694	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	524,090	-	-	-
3000	Total Fund Balances	<u>574,916</u>	<u>8,411</u>	<u>1,819,694</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,105,208</u>	<u>\$ 8,411</u>	<u>\$ 1,992,039</u>	<u>\$ -</u>

680 Energy Perf. Project Fund	699 Capital Projects Fund 13 Million	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,985,099	\$ 2,285,684
10,468	1,204,586	1,230,405	1,610,391
-	-	-	406,206
-	-	-	13,500
-	-	-	4,931
<u>\$ 10,468</u>	<u>\$ 1,204,586</u>	<u>\$ 3,215,504</u>	<u>\$ 4,320,712</u>
\$ -	\$ 26,418	\$ 198,763	\$ 670,864
-	-	-	18,381
-	-	-	21,075
-	-	-	18,735
<u>-</u>	<u>26,418</u>	<u>198,763</u>	<u>729,055</u>
-	-	-	4,931
-	-	-	45,895
10,468	1,178,168	3,016,741	3,016,741
-	-	-	524,090
<u>10,468</u>	<u>1,178,168</u>	<u>3,016,741</u>	<u>3,591,657</u>
<u>\$ 10,468</u>	<u>\$ 1,204,586</u>	<u>\$ 3,215,504</u>	<u>\$ 4,320,712</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, 2015

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 774,818
5800	State Program Revenues	-	-	-	9,961
5900	Federal Program Revenues	693,460	525,767	11,798	1,444,165
5020	Total Revenues	693,460	525,767	11,798	2,228,944
EXPENDITURES:					
Current:					
0011	Instruction	670,836	307,393	11,478	-
0013	Curriculum and Instructional Staff Development	12,093	5,723	320	-
0021	Instructional Leadership	1,889	3,970	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	207,307	-	-
0035	Food Services	-	-	-	2,243,511
0036	Extracurricular Activities	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	16,755
0061	Community Services	8,642	1,374	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
6030	Total Expenditures	693,460	525,767	11,798	2,260,266
1200	Net Change in Fund Balance	-	-	-	(31,322)
0100	Fund Balance - September 1 (Beginning)	-	-	-	82,148
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 50,826

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	397 Advanced Placement Incentives	410 State Textbook Fund	461 Campus Activity Funds	462 Tuloso Education Foundation	481 Del Mar Dual Credit	496 County Diabetes Fund
\$ -	\$ -	\$ -	\$ -	\$ 926,019	\$ 61,016	\$ -	\$ 2,197
-	-	725	650,995	-	-	-	-
28,219	143,562	-	-	-	-	-	-
28,219	143,562	725	650,995	926,019	61,016	-	2,197
25,380	26,846	725	650,995	-	61,016	-	-
2,839	108,181	-	-	-	-	-	-
-	1,145	-	-	-	-	-	-
-	6,208	-	-	-	-	-	-
-	1,182	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	812,854	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,197
-	-	-	-	-	-	-	-
28,219	143,562	725	650,995	812,854	61,016	-	2,197
-	-	-	-	113,165	-	-	-
-	-	-	-	410,925	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ 524,090	\$ -	\$ -	\$ -

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		Total Nonmajor Special Revenue Funds	650 Capital Projects Fund 20 Million	655 Capital Projects Fund	675 Capital Projects Fund 27.3 Million
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,764,050	\$ 10	\$ 3,098	\$ 68
5800	State Program Revenues	661,681	-	-	-
5900	Federal Program Revenues	2,846,971	-	-	-
5020	Total Revenues	<u>5,272,702</u>	<u>10</u>	<u>3,098</u>	<u>68</u>
EXPENDITURES:					
Current:					
0011	Instruction	1,754,669	-	-	-
0013	Curriculum and Instructional Staff Development	129,156	-	-	-
0021	Instructional Leadership	7,004	-	-	-
0023	School Leadership	6,208	-	-	-
0031	Guidance, Counseling and Evaluation Services	208,489	-	-	-
0035	Food Services	2,243,511	-	-	-
0036	Extracurricular Activities	812,854	-	-	-
0051	Facilities Maintenance and Operations	16,755	-	-	-
0061	Community Services	12,213	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	939,469	124,283
6030	Total Expenditures	<u>5,190,859</u>	<u>-</u>	<u>939,469</u>	<u>124,283</u>
1200	Net Change in Fund Balance	81,843	10	(936,371)	(124,215)
0100	Fund Balance - September 1 (Beginning)	<u>493,073</u>	<u>8,401</u>	<u>2,756,065</u>	<u>124,215</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 574,916</u>	<u>\$ 8,411</u>	<u>\$ 1,819,694</u>	<u>\$ -</u>

680 Energy Perf. Project Fund	699 Capital Projects Fund 13 Million	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 5	\$ 1,869	\$ 5,050	\$ 1,769,100
-	-	-	661,681
-	-	-	2,846,971
5	1,869	5,050	5,277,752
-	-	-	1,754,669
-	-	-	129,156
-	-	-	7,004
-	-	-	6,208
-	-	-	208,489
-	-	-	2,243,511
-	-	-	812,854
-	65,914	65,914	82,669
-	-	-	12,213
-	487,233	1,550,985	1,550,985
-	553,147	1,616,899	6,807,758
5	(551,278)	(1,611,849)	(1,530,006)
10,463	1,729,446	4,628,590	5,121,663
\$ 10,468	\$ 1,178,168	\$ 3,016,741	\$ 3,591,657

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REQUIRED TEA SCHEDULES

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	\$ 1.500000	\$ 0.242200	\$ 1,082,309,880
2007	1.370000	0.242200	1,160,601,769
2008	1.040000	0.242200	1,340,986,113
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 (School year under audit)	1.090000	0.304500	2,212,755,633
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 152,318	\$ -	\$ 3,086	\$ 516	\$ (32,760)	\$ 115,956
18,135	-	720	127	-	17,288
37,429	-	830	203	(44)	36,352
45,088	-	1,113	313	-	43,662
47,708	-	(3,237)	(909)	(15,984)	35,870
95,387	-	(15,742)	(2,182)	(30,326)	82,985
149,553	-	13,460	2,983	(3,624)	129,486
107,849	-	45,915	11,344	24,924	75,514
256,227	-	118,248	31,595	2,511	108,895
-	30,648,853	23,597,011	6,609,916	(223,273)	218,653
<u>\$ 909,694</u>	<u>\$ 30,648,853</u>	<u>\$ 23,761,404</u>	<u>\$ 6,653,906</u>	<u>\$ (278,576)</u>	<u>\$ 864,661</u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND AS OF AUGUST 31, 2015

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/15 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 8,899,862
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 537,198	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	886,917	
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.	6,000,000	
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)	2,300,000	
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>9,724,115</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u>\$ (824,253)</u>

The Tuloso Midway Independent School District Board of Trustees are actively working toward a minimum unassigned fund balance of at least three months average annual expenditures.

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, 2015

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	\$ 846,300	\$ 749,700	\$ 774,818	\$ 25,118
5800	State Program Revenues	8,738	9,960	9,961	1
5900	Federal Program Revenues	1,192,500	1,423,300	1,444,165	20,865
5020	Total Revenues	2,047,538	2,182,960	2,228,944	45,984
EXPENDITURES:					
0035	Food Services	2,031,538	2,243,613	2,243,511	102
0051	Facilities Maintenance and Operations	16,000	16,755	16,755	-
6030	Total Expenditures	2,047,538	2,260,368	2,260,266	102
1200	Net Change in Fund Balances	-	(77,408)	(31,322)	46,086
0100	Fund Balance - September 1 (Beginning)	82,148	82,148	82,148	-
3000	Fund Balance - August 31 (Ending)	\$ 82,148	\$ 4,740	\$ 50,826	\$ 46,086

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, 2015

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	\$ 6,685,673	\$ 6,685,673	\$ 6,698,340	\$ 12,667
5020	Total Revenues	6,685,673	6,685,673	6,698,340	12,667
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	2,808,636	2,858,636	2,858,636	-
0072	Interest on Long Term Debt	3,680,874	3,707,182	3,707,178	4
0073	Bond Issuance Cost and Fees	60,490	204,784	152,998	51,786
6030	Total Expenditures	6,550,000	6,770,602	6,718,812	51,790
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	135,673	(84,929)	(20,472)	64,457
OTHER FINANCING SOURCES (USES):					
7914	Non-Current Loans - Refund of Bonds	-	7,645,000	7,645,000	-
7916	Premium or Discount on Issuance of Bonds	-	645,393	645,393	-
8949	Other (Uses) - Refund of Bonds	-	(8,045,000)	(8,045,000)	-
7080	Total Other Financing Sources (Uses)	-	245,393	245,393	-
1200	Net Change in Fund Balances	135,673	160,464	224,921	64,457
0100	Fund Balance - September 1 (Beginning)	517,863	517,863	517,863	-
3000	Fund Balance - August 31 (Ending)	\$ 653,536	\$ 678,327	\$ 742,784	\$ 64,457

FEDERAL AWARDS SECTION

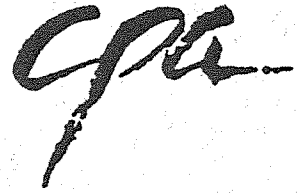
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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

December 2, 2015

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, 2015 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 2, 2015.

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 2, 2015

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

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015

None

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

None

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

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 OMB Circular A-133.

Major programs:

Hazard Mitigation Grant Program, CFDA 97.039

ESEA Title 1, Part A – Improving Basic Programs, CFDA 84.010A

IDEA – Part B – Formula, CFDA 84.027A

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 OMB Circular A-133.

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, 2015

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, 2015

None

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**Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Independent Auditor's Report

December 2, 2015

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 Circular A-133 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, 2015. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, 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.

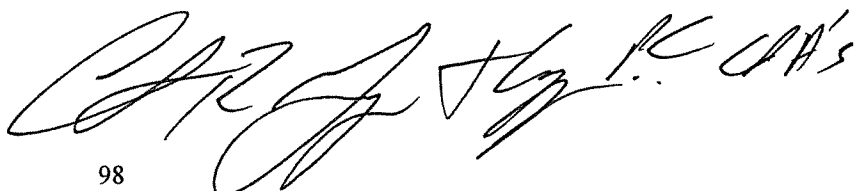
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Tuloso Midway Independent School District as of and for the year ended August 31, 2015, and have issued our report thereon dated December 2, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 2, 2015

A large, stylized handwritten signature in black ink, likely belonging to Ernest R. Garza, is written over the printed name and date.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
US DEPARTMENT OF HOMELAND SECURITY			
<u>Passed Through TDPS through City of Corpus Christi</u>			
Hazard Mitigation Grant Program	97-039	DR-1791-348	\$ 1,877,241
Hazard Mitigation Grant Program	97-039	DR-1791-349	624,151
Total CFDA Number 97-039			<u>2,501,392</u>
Total Passed Through TDPS through City of Corpus Christi			<u>\$ 2,501,392</u>
TOTAL US DEPARTMENT OF HOMELAND SECURITY			<u>\$ 2,501,392</u>
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15-610101178912	\$ 693,460
*IDEA - Part B, Formula	84.027	15-660001178912660	525,767
*IDEA - Part B, Preschool	84.173	15-661001178912610	11,798
Total Special Education Cluster (IDEA)			<u>537,565</u>
Career and Technical - Basic Grant	84.048	15-420006178912	28,219
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15-694501178912	143,562
Total Passed Through State Department of Education			<u>\$ 1,402,806</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$ 1,402,806</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		\$ 12,287
Total Passed Through Texas Dept of Human Services			<u>\$ 12,287</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 12,287</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401501	\$ 475,370
*National School Lunch Program - Cash Assistance	10.555	71401501	886,915
*National School Lunch Prog. - Non-Cash Assistance	10.555	71401501	81,880
Total CFDA Number 10.555			<u>968,795</u>
Total Child Nutrition Cluster			<u>1,444,165</u>
Total Passed Through the State Department of Agriculture			<u>\$ 1,444,165</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 1,444,165</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 5,360,650</u></u>

*Clustered Programs

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2015

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.

3. 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, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Tuloso-Midway Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

SCHOOLS FIRST QUESTIONNAIRE

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2015

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?	No
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.	2856969
SF13	Pension Expense (6147) at fiscal year-end.	264077

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