

**TULOSO-MIDWAY INDEPENDENT  
SCHOOL DISTRICT**

**Annual Financial Report  
For the Year Ended August 31, 2014**

**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, 2014

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	CERTIFICATE OF BOARD	5
	Independent Auditors' Report	7
	Management's Discussion and Analysis	9
	<b><u>Basic Financial Statements</u></b>	
	Government Wide Statements:	
A-1	Statement of Net Position	21
B-1	Statement of Activities	22
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	24
C-2	Reconciliation for C-1	27
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance	28
C-4	Reconciliation for C-3	31
C-5	Budgetary Comparison Schedule - General Fund	32
	Fiduciary Fund Financial Statements:	
D-1	Statement of Net Position – Proprietary Funds	33
D-2	Statement of Revenues, Expenditures, and Changes in Fund Net Position - Proprietary Funds	34
D-3	Statement of Cash Flows – Proprietary Funds	35
E-1	Statement of Fiduciary Net Position – Fiduciary Funds	36
	Notes to the Financial Statements	38
	<b><u>Combining Schedules</u></b>	
	Non-major Governmental Funds:	
H-1	Combining Balance Sheet	62
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	66
	<b><u>Required TEA Schedules</u></b>	
J-1	Schedule of Delinquent Taxes	72
J-2	Schedule of Expenditures for Computation of Indirect Cost	74
J-3	Fund Balance and Cash Flow Calculation Worksheet	75
J-4	Budgetary Comparison Schedule - Child Nutrition Fund	76
J-5	Budgetary Comparison Schedule - Debt Service Fund	77

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Tuloso-Midway Independent School District  
Annual Financial Report  
For the Year Ended August 31, 2014

TABLE OF CONTENTS

TABLE OF CONTENTS (CONTINUED)

<u>Exhibit</u>	<u>Page</u>
 <b><u>Federal Awards Section</u></b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	81
Summary Schedule of Prior Audit Findings	83
Schedule of Findings and Questioned Costs	85
Corrective Action Plan	87
Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	89
K-1 Schedule of Expenditures of Federal Awards	91
Notes to Schedule of Expenditures of Federal Awards	92

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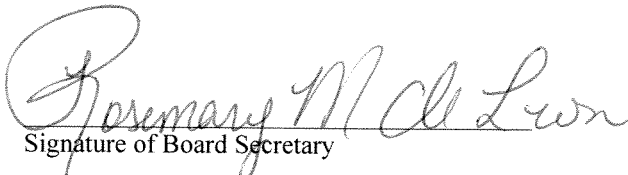
CERTIFICATE OF BOARD

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, 2014 at a meeting of the Board of Trustees of such school district on the 11th day of December 2014.

  
\_\_\_\_\_  
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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*Certified Public Accountants*

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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, 2014 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, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* on pages 9-18, 32 and 76-77 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, such as the J-1 thru J-3 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.

The *J-1 thru J-3 Schedules* has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2014 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  
November 21, 2014



## 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, 2014. 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 \$23,905,490 (Exhibit A-1, B-1) at August 31, 2014.
- During the year, the District's expenditures were \$11,969,517 (Exhibit C-3) more, before extraordinary items, than the \$42,936,276 generated in taxes and other revenues for governmental activities.
- Total cost of all of the District's programs was \$42,318,866, excluding the enterprise funds (Exhibit B-1) which was \$4,174,212 more than the previous year.
- The General Fund reported a total fund balance this year of \$9,826,261. (Exhibit C-1, C-3).

#### Fund Financial Statements

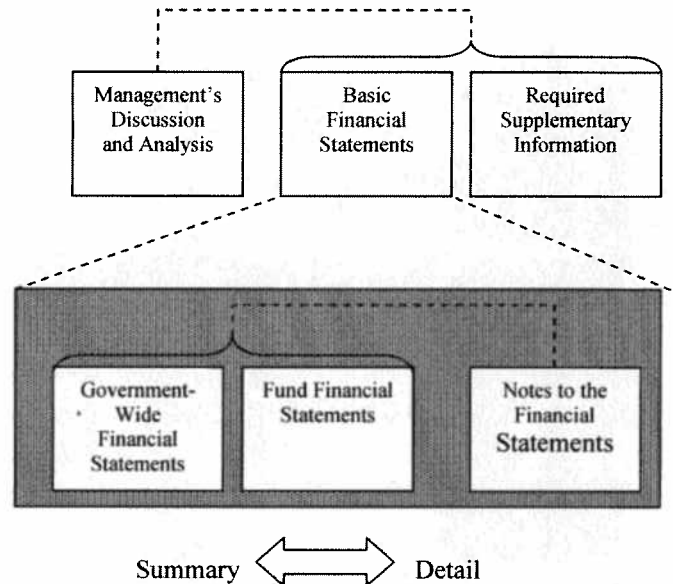
- The general fund reported a total fund balance this year of \$9,826,261 approximately 76% of this total amount, \$7,481,096 is unassigned. The unassigned fund balance is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,481,096 or 24.5% 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 and \$1.04 for 2013-2014. The District increased the I&S tax rate to \$0.2636 for 2012-2013 and \$0.2771 for 2013-2014.
- 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 \$500,00 in approved bonds is scheduled to be sold in January 2015.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

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

<i>Types of Statements</i>	<b>Fund Statements</b>			
	<b>Government-Wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Fund</b>
<i>Scope</i>	Entire District's government (except fiduciary funds) and the District's component units	The activities of the District that are not proprietary of fiduciary	Activities the District operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statement</i>	*Statement of net position	*Balance Sheet	*Statement of net position	*Statement of Fiduciary net position
	*Statement of activities	*Statement of revenues, expenditures & changes in fund balance	*Statement of revenues, expenses, and changes in fund net position *Statement of 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 \$23,634,019 at August 31, 2014. (See Exhibit A-1, B-1).

The \$7,481,096 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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current Assets:						
Cash and Cash Equivalents	\$ 8,888,641	\$ 616,942	\$ 276,407	\$ 52,001	\$ 9,165,048	\$ 668,943
Investments	16,732,653	25,107,156	-	-	16,732,653	25,107,156
Property Taxes Rec. (Net)	604,947	507,833	-	-	604,947	507,833
Due from other governments	1,192,764	2,503,156	-	-	1,192,764	2,503,156
Internal Balances	-	(175,348)	-	175,348	-	-
Due from Fiduciary	-	-	-	-	-	-
Other Receivables (Net)	7,345	7,047	-	-	7,345	7,047
Inventories at Cost	124,234	118,576	-	-	124,234	118,576
Deferred Expenses	484,158	517,361	-	-	484,158	517,361
Capitalized Bond Costs	-	-	-	-	-	-
Total current assets:	28,034,742	29,202,723	276,407	227,349	28,311,149	29,430,072
Non-current Assets:						
Land	941,178	684,932	-	-	941,178	684,932
Buildings & Improvements	62,053,549	54,471,094	-	-	62,053,549	54,471,094
Furniture and Equipment	1,855,384	1,979,771	-	-	1,855,384	1,979,771
Capital Lease Assets, Net	105,722	141,206	-	-	105,722	141,206
Construction in Progress	13,076,683	10,623,134	-	-	13,076,683	10,623,134
Total noncurrent Assets	78,032,516	67,900,137	-	-	78,032,516	67,900,137
Total Assets	106,067,258	97,102,860	276,407	227,349	106,343,665	97,330,209
Current Liabilities						
Accounts Payable	3,689,238	4,593,115	3,936	2,714	3,693,174	4,595,829
Interest Payable	247,424	122,973	-	-	247,424	122,973
Accrued Expenses	2,388	92,892	1,000	-	3,388	92,892
Due to Others	358	120,604	-	-	358	120,604
Deferred Revenue	172,673	179,679	-	1,000	172,673	180,679
Total current liabilities	4,112,081	5,109,263	4,936	3,714	4,117,017	5,112,977
Long-term liabilities:						
Due within one year	3,310,009	3,077,727	-	-	3,310,009	3,077,727
Due in more than one year	75,011,149	69,105,612	-	-	75,011,149	69,105,612
Total long-term liabilities	78,321,158	72,183,339	-	-	78,321,158	72,183,339
Total liabilities	82,433,239	77,292,602	4,936	3,714	82,438,175	77,296,316
Net Position:						
Invested in capital assets	681,995	(4,283,202)	-	-	681,995	(4,283,202)
Restricted For:					-	-
State and Federal Programs	76,780	17,136	-	-	76,780	17,136
Debt Service	517,863	300,598	-	-	517,863	300,598
Campus Activities	410,925	379,989	-	-	410,925	379,989
Scholarships	-	-	-	-	-	-
Restricted for Capital Projects	13,442,251	14,219,377	-	-	13,442,251	14,219,377
Restricted for Other Purposes	662,141	1,047,261	-	-	662,141	1,047,261
Unrestricted	7,842,064	8,129,099	271,471	223,635	8,113,535	8,352,734
Total Net Position	\$ 23,634,019	\$ 19,810,258	\$ 271,471	\$ 223,635	\$ 23,905,490	\$ 20,033,893

### Change in net position

The District's total governmental revenues were \$46,142,627. A portion, 63.73%, of the District's governmental revenue, comes from taxes. Approximately 21.82% comes from Operating Grants and Contributions, while only 3.67% relates to charges for services. (See Exhibit B-1)

The total cost of all governmental programs and services was \$42,318,866.

### Governmental Activities

- The Maintenance and Operation tax rate, in compliance with State funding laws, is \$1.04 per \$100 value, which is a decrease due to effective tax rate calculations based upon a 20.1% increase in net taxable property values. The Interest and Sinking tax rate increased to \$.2771. The total tax rate was reduced to \$1.3171 per \$100. Collections of tax revenues remain consistent.

	Governmental		Business		Total		Net Difference
	2014	2013	2014	2013	2014	2013	2014-2013
Program Revenues:							
Charges for Services	\$ 1,693,630	\$ 2,227,164	\$ 232,769	\$ 231,465	\$ 1,926,399	\$ 2,458,629	\$ (532,230)
Operating Grants and Contributions	6,151,976	5,536,475	-	-	6,151,976	5,536,475	615,501
General Revenues							
Property Taxes	29,405,209	24,740,608	-	-	29,405,209	24,740,608	4,664,601
State Aid-Formula	3,916,874	4,808,294	-	-	3,916,874	4,808,294	(891,420)
Investment Earnings	48,667	84,590	-	-	48,667	84,590	(35,923)
Other	4,926,271	631	-	-	4,926,271	631	4,925,640
Total Revenues	46,142,627	37,397,762	232,769	231,465	46,375,396	37,629,227	8,746,169
Expenses							
Instruction	20,059,703	17,511,925	-	-	20,059,703	17,511,925	2,547,778
Instructional Res. Media Serv.	378,072	346,031	-	-	378,072	346,031	32,041
Curriculum Dev. and							
Instructional Staff Develop.	166,394	158,550	-	-	166,394	158,550	7,844
Instructional Leadership	582,202	434,723	-	-	582,202	434,723	147,479
School Leadership	1,650,956	1,608,283	-	-	1,650,956	1,608,283	42,673
Guidance, Counseling and							
Evaluation Services	1,222,969	1,183,755	-	-	1,222,969	1,183,755	39,214
Social Work Services	12,840	11,433	-	-	12,840	11,433	1,407
Health Services	313,007	278,604	-	-	313,007	278,604	34,403
Student (Pupil) Transportation	1,218,023	1,634,264	-	-	1,218,023	1,634,264	(416,241)
Food Services	2,314,997	2,241,643	-	-	2,314,997	2,241,643	73,354
Curricular/Extracurr. Activities	2,371,173	2,035,702	-	-	2,371,173	2,035,702	335,471
General Administration	1,756,585	1,629,492	-	-	1,756,585	1,629,492	127,093
Plant Maint. & Operations	4,237,010	5,017,505	-	-	4,237,010	5,017,505	(780,495)
Security and Monitoring	488,001	225,666	-	-	488,001	225,666	262,335
Data Processing Services	445,808	489,927	-	-	445,808	489,927	(44,119)
Community Service	11,243	17,491	-	-	11,243	17,491	(6,248)
Debt Service	3,878,614	2,038,995	-	-	3,878,614	2,038,995	1,839,619
TMPM After School Care	-	-	184,933	198,243	184,933	198,243	(13,310)
Capital Outlay - non-cap.	-	-	-	-	-	-	-
Contracted Instruct. Services	-	22,543	-	-	-	22,543	(22,543)
Payments to Shared Service	850,620	928,398	-	-	850,620	928,398	(77,778)
Payments to Juvenile Justice	39,305	-	-	-	39,305	-	39,305
Alternative Ed. Program	-	20,198	-	-	-	20,198	(20,198)
Other Intergovernmental	321,344	309,527	-	-	321,344	309,527	11,817
Total Expenses	42,318,866	38,144,655	184,933	198,243	42,503,799	38,342,898	4,121,596
Transfers	-	-	-	-	-	-	-
Increase (Dec.) in Net Position	3,823,761	(746,893)	47,836	33,222	3,871,597	(713,671)	4,585,268
Net Position Beginning	19,810,258	20,625,946	223,635	191,413	20,033,893	20,817,359	(783,466)
Prior Period Adjustment	-	(68,795)	-	(1,000)	-	(69,795)	69,795
Net Position Ending	\$ 23,634,019	\$ 19,810,258	\$ 271,471	\$ 222,635	\$ 23,905,490	\$ 20,033,893	\$ 3,871,597

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 \$42,318,866. (Exhibit B-1)
- However, the amount that our taxpayers paid for these activities through property taxes was only \$29,405,209. (Exhibit B-1)
- Some of the cost was paid by those who directly benefited from the programs \$1,693,630, or by grants and contributions \$6,151,976. (Exhibit B-1)

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

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2014	2013		2014	2013	
Instruction	\$ 20,059,703	\$ 17,511,925	14.55%	\$ (17,517,143)	\$ (15,578,401)	12.45%
School Leadership	1,650,956	1,608,283	2.65%	(1,559,263)	(1,534,455)	1.62%
Plant maintenance & Operations	4,237,010	5,017,505	-15.56%	(4,110,916)	(4,732,040)	-13.13%
Debt Service-Interest & Fiscal Charges	3,878,614	2,038,995	90.22%	(3,631,190)	(2,035,360)	78.41%

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from general governmental fund types (Exhibit C-3) totaled \$42,936,276, 72.6% 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 \$628,915 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 \$9,826,261 differs from the General Fund's budgetary fund balance of \$8,878,880 reported in the budgetary comparison schedule (Exhibit C-5). This is due to higher than expected revenues and reduced legal expenses as well as one-time budgeted equipment expenditures planned for the year not being fully expended as of August 31, 2014.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2014, the District had invested a net \$78,132,516 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 \$10,232,379 over last year due to 2013-2014 new construction projects. The \$36 million bond program is still in progress with the final projects set to be started in the 2014-2015 fiscal year and completed by the Spring of 2016.

**Table A-4**  
**Tuloso-Midway Independent School District's Capital Assets**  
**Governmental**  
**Activities**

	<b>2014</b>	<b>2013</b>	<b>Total Percentage Change 2014-2013</b>
Land	\$ 941,178	\$ 684,932	37.4%
Construction in Progress	13,076,683	10,623,134	23.1%
Buildings and improvements	88,978,573	78,972,305	12.7%
Furniture & Equipment	5,082,509	4,840,465	5.0%
Vehicles	2,728,013	3,164,188	-13.8%
Capital Leases	461,390	427,552	7.9%
Total at historical cost	111,268,346	98,712,576	12.7%
Total accumulated depreciation	(33,235,830)	(30,812,439)	7.9%
Net capital assets	\$ 78,032,516	\$ 67,900,137	14.9%

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 \$78,352,324 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**

	<b>2014</b>	<b>2013</b>	<b>Total Percentage Change 2014-2013</b>
Leases Payable	\$ 101,894	\$ 201,116	-49.34%
Bonds Payable	74,168,634	67,179,997	10.40%
Accretion Payable	75,000	186,033	-59.68%
Maintenance Tax Note	3,849,795	4,152,469	-7.29%
Leave Liability	125,835	119,685	5.14%
Total bonds & leases payable	\$ 78,321,158	\$ 71,839,300	9.02%

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- Tuloso-Midway ISD held a tax ratification election (TRE) on September 11, 2010 requesting the maximum M&O tax increase of \$0.13 allowed by the State. The issue was approved by 110 votes for and 7 votes against. The measure involved a tax rate swap between the M&O and I&S funds of the \$.13. The overall tax rate remained \$1.3322. This M&O tax increase provided an additional \$2.1 million in equalized state revenue for 2010-2011 and 2011-2012.
- Appraised values for the October 2013 tax levy increased \$367.8 million or 20.12% over the prior year (Exhibit J-1). These are primarily due to increases in industrial values in the District.
- The District experienced an October 2013 snapshot enrollment increase of 107 students (3,721 to 3,828) for the 2013-14 year. Average Daily Attendance (ADA) increased 102.712 (3,515.840 to 3,618.552) for 2.9% growth. October 2014 snapshot enrollment is 3,883 (55 student increase).
- General Fund spending per student (October AEIS snapshot enrollment) increased from \$7,632 to \$7,976 from 2012-2013 to 2013-2014.
- The District presently is working with an interim superintendent and the School Board will perform a search for a replacement in the near future.
- Due to the TRE election and rising property values the District paid Chapter 41 recapture amounts of \$22,543 (2012-2013) and \$-0- (2013-2014).
- All certified staff received a \$1,500 raise for the 13-14 contract year. Non-certified personnel salaries were increased \$1,000.

Due to the one year lag in using certified tax values in the State funding formula State revenues only dipped slightly while local tax revenues increased \$3.7 million for 13-14 from the 20% property value increases.

After three years of significant property value increases the 2014 property values reflected virtually no increase resulting in an estimated reduction in State revenues of \$2.3 million for 14-15. Despite a \$0.05 increase in the maintenance & operations tax rate the District adopted a deficit budget of \$1,074,667 for 14-15. There are no salary increases for 14-15, however \$526,000 was assigned from the 13-14 General Fund balance for a one time retention incentive of \$1,000 for all full-time employees during the 14-15 year. The 2013-2014 total tax rate dropped from 2012-2013 \$1.3322 to \$1.3171 in 2013-2014.

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 take 2-3 years to complete with ground breaking scheduled in early 2015. 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. In the fall of 2014 another industrial entity applied for another Section 313 agreement with the District. The estimated value of this planned facility is \$400 million.

As a result of the major industrial projects scheduled to be constructed in the District it is projected by 2017-2018 the District will have Chapter 41 recapture payments in excess of State revenues. In previous years the District was able to offset any recapture costs against this State funding. Chapter 41 law requires that District's voters approve a method of equalizing it's wealth in this situation. On November 4<sup>th</sup>, 2014 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 Spring 2016. Due to increased construction costs an estimated \$700,000 of General Fund Balance has been assigned to fund these additional expenditures. Bond sales of \$35.5 million have been made as of August 31, 2014.

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 between 50% to 57% 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. Another 12,000 square foot dome structure is scheduled to begin construction in December 2014 at the Intermediate Elementary campus. Both structures are scheduled to be completed by Spring 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. As of August 31, 2014 an additional \$380,000 is assigned from the General Fund Balance for additional construction 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, 2014

EXHIBIT A-1

		1	2	3
		Primary Government		
Data			Business	
Control		Governmental	Type	
Codes		Activities	Activities	Total
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ 8,888,641	\$ 276,407	\$ 9,165,048
1120	Current Investments	16,732,653	-	16,732,653
1220	Property Taxes Receivable (Delinquent)	909,694	-	909,694
1230	Allowance for Uncollectible Taxes	(304,747)	-	(304,747)
1240	Due from Other Governments	1,192,764	-	1,192,764
1290	Other Receivables, net	7,345	-	7,345
1300	Inventories	124,234	-	124,234
1410	Prepayments	484,158	-	484,158
Capital Assets:				
1510	Land	941,178	-	941,178
1520	Buildings, Net	62,053,549	-	62,053,549
1530	Furniture and Equipment, Net	1,855,384	-	1,855,384
1550	Leased Property Under Capital Leases, Net	105,722	-	105,722
1580	Construction in Progress	13,076,683	-	13,076,683
1000	Total Assets	106,067,258	276,407	106,343,665
<b>LIABILITIES</b>				
2110	Accounts Payable	3,574,109	-	3,574,109
2140	Interest Payable	247,424	-	247,424
2150	Payroll Deductions & Withholdings	13,382	-	13,382
2160	Accrued Wages Payable	101,747	3,936	105,683
2180	Due to Other Governments	358	-	358
2200	Accrued Expenses	2,388	-	2,388
2300	Unearned Revenue	172,673	1,000	173,673
Noncurrent Liabilities				
2501	Due Within One Year	3,310,009	-	3,310,009
2502	Due in More Than One Year	75,011,149	-	75,011,149
2000	Total Liabilities	82,433,239	4,936	82,438,175
<b>NET POSITION</b>				
3200	Net Investment in Capital Assets	681,995	-	681,995
Restricted for:				
3820	Restricted for Federal and State Programs	76,780	-	76,780
3850	Restricted for Debt Service	517,863	-	517,863
3860	Restricted for Capital Projects	13,442,251	-	13,442,251
3870	Restricted for Campus Activities	410,925	-	410,925
3890	Restricted for Other Purposes	662,141	-	662,141
3900	Unrestricted	7,842,064	271,471	8,113,535
3000	Total Net Position	\$ 23,634,019	\$ 271,471	\$ 23,905,490

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, 2014

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
11 Instruction	\$ 20,059,703	\$ -	\$ 2,542,560
12 Instructional Resources and Media Services	378,072	-	18,168
13 Curriculum and Staff Development	166,394	-	122,061
21 Instructional Leadership	582,202	-	33,282
23 School Leadership	1,650,956	-	91,693
31 Guidance, Counseling and Evaluation Services	1,222,969	-	245,870
32 Social Work Services	12,840	-	-
33 Health Services	313,007	-	17,488
34 Student (Pupil) Transportation	1,218,023	-	42,269
35 Food Services	2,314,997	847,297	2,103,884
36 Extracurricular Activities	2,371,173	829,379	735,673
41 General Administration	1,756,585	-	47,842
51 Facilities Maintenance and Operations	4,237,010	16,954	109,140
52 Security and Monitoring Services	488,001	-	7,127
53 Data Processing Services	445,808	-	23,814
61 Community Services	11,243	-	11,105
72 Debt Service - Interest on Long Term Debt	3,873,829	-	-
73 Debt Service - Bond Issuance Cost and Fees	4,785	-	-
93 Payments related to Shared Services Arrangements	850,620	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	39,305	-	-
99 Other Intergovernmental Charges	321,344	-	-
[TG] Total Governmental Activities:	42,318,866	1,693,630	6,151,976
<b>BUSINESS-TYPE ACTIVITIES:</b>			
01 Enterprise Funds - Locally Defined	184,933	232,769	-
[TB] Total Business-Type Activities:	184,933	232,769	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 42,503,799	\$ 1,926,399	\$ 6,151,976
<b>General Revenues:</b>			
<b>Taxes:</b>			
MT	Property Taxes, Levied for General Purposes		
DT	Property Taxes, Levied for Debt Service		
GC	Grants and Contributions not Restricted		
IE	Investment Earnings		
MI	Miscellaneous Local and Intermediate Revenue		
S1	Special Item -		
FR	Transfers In (Out)		
TR	Total General Revenues and Special Items		
CN	Change in Net Position		
NB	Net Position - Beginning		
NE	Net Position - Ending		

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (17,517,143)	\$ -	\$ (17,517,143)
(359,904)	-	(359,904)
(44,333)	-	(44,333)
(548,920)	-	(548,920)
(1,559,263)	-	(1,559,263)
(977,099)	-	(977,099)
(12,840)	-	(12,840)
(295,519)	-	(295,519)
(1,175,754)	-	(1,175,754)
636,184	-	636,184
(806,121)	-	(806,121)
(1,708,743)	-	(1,708,743)
(4,110,916)	-	(4,110,916)
(480,874)	-	(480,874)
(421,994)	-	(421,994)
(138)	-	(138)
(3,873,829)	-	(3,873,829)
(4,785)	-	(4,785)
(850,620)	-	(850,620)
(39,305)	-	(39,305)
(321,344)	-	(321,344)
(34,473,260)	-	(34,473,260)
-	47,836	47,836
-	47,836	47,836
(34,473,260)	47,836	(34,425,424)
23,240,309	-	23,240,309
6,164,900	-	6,164,900
3,916,874	-	3,916,874
48,667	-	48,667
2,483,334	-	2,483,334
2,424,046	-	2,424,046
18,891	-	18,891
38,297,021	-	38,297,021
3,823,761	47,836	3,871,597
19,810,258	223,635	20,033,893
\$ 23,634,019	\$ 271,471	\$ 23,905,490

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 8,327,037	\$ 6,443	\$ -
1120 Investments - Current	324,480	510,677	2,931,841
1220 Property Taxes - Delinquent	743,711	165,983	-
1230 Allowance for Uncollectible Taxes (Credit)	(249,143)	(55,604)	-
1240 Receivables from Other Governments	890,005	743	-
1260 Due from Other Funds	342,832	-	-
1290 Other Receivables	2,686	-	-
1300 Inventories	118,866	-	-
1410 Prepayments	484,158	-	-
1000 Total Assets	<u>\$ 10,984,632</u>	<u>\$ 628,242</u>	<u>\$ 2,931,841</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 418,197	\$ -	\$ 25,141
2150 Payroll Deductions and Withholdings Payable	13,382	-	-
2160 Accrued Wages Payable	101,747	-	-
2170 Due to Other Funds	111,943	-	150,635
2180 Due to Other Governments	-	-	-
2200 Accrued Expenditures	2,388	-	-
2300 Unearned Revenues	16,146	-	-
2000 Total Liabilities	<u>663,803</u>	<u>-</u>	<u>175,776</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	494,568	110,379	-
2600 Total Deferred Inflows of Resources	<u>494,568</u>	<u>110,379</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	118,866	-	-
3430 Prepaid Items	484,158	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	517,863	-
Committed Fund Balance:			
3510 Construction	-	-	2,756,065
Assigned Fund Balance:			
3550 Construction	1,080,000	-	-
3570 Capital Expenditures for Equipment	19,765	-	-
3590 Other Assigned Fund Balance	642,376	-	-
3600 Unassigned Fund Balance	7,481,096	-	-
3000 Total Fund Balances	<u>9,826,261</u>	<u>517,863</u>	<u>2,756,065</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 10,984,632</u>	<u>\$ 628,242</u>	<u>\$ 2,931,841</u>

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ 106,887	\$ 8,440,367
10,427,894	2,537,761	16,732,653
-	-	909,694
-	-	(304,747)
-	302,016	1,192,764
-	-	342,832
2,053	2,606	7,345
-	5,368	124,234
-	-	484,158
<u>\$ 10,429,947</u>	<u>\$ 2,954,638</u>	<u>\$ 27,929,300</u>
\$ 2,696,286	\$ 351,901	\$ 3,491,525
-	-	13,382
-	-	101,747
-	80,253	342,831
-	359	359
-	-	2,388
-	156,527	172,673
<u>2,696,286</u>	<u>589,040</u>	<u>4,124,905</u>
-	-	604,947
-	-	604,947
-	5,368	124,234
-	-	484,158
-	76,780	76,780
-	-	517,863
7,733,661	1,872,525	12,362,251
-	-	1,080,000
-	-	19,765
-	410,925	1,053,301
-	-	7,481,096
<u>7,733,661</u>	<u>2,365,598</u>	<u>23,199,448</u>
<u>\$ 10,429,947</u>	<u>\$ 2,954,638</u>	<u>\$ 27,929,300</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, 2014

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 23,199,448</b>
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(decrease) net position.	365,690
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 \$87,404,510 and the accumulated depreciation was \$30,812,439. 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 increase (decrease) net position.	(3,939,163)
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 2014 capital outlays and debt principal payments is to increase (decrease) net position.	6,884,696
4 The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(3,234,175)
5 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, eliminating interfund transactions, 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 (decrease) net position.	357,523
<b>19 Net Position of Governmental Activities</b>	<b>\$ 23,634,019</b>

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, 2014

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 23,458,216	\$ 6,065,141	\$ 1,791
5800	State Program Revenues	8,016,248	3,757	-
5900	Federal Program Revenues	430,662	-	-
5020	Total Revenues	31,905,126	6,068,898	1,791
EXPENDITURES:				
Current:				
0011	Instruction	16,497,802	-	-
0012	Instructional Resources and Media Services	337,876	-	-
0013	Curriculum and Instructional Staff Development	42,530	-	-
0021	Instructional Leadership	402,976	-	-
0023	School Leadership	1,564,680	-	-
0031	Guidance, Counseling and Evaluation Services	888,260	-	-
0033	Health Services	292,183	-	-
0034	Student (Pupil) Transportation	1,049,805	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	1,394,713	-	-
0041	General Administration	1,659,758	-	-
0051	Facilities Maintenance and Operations	3,813,178	-	-
0052	Security and Monitoring Services	241,565	-	-
0053	Data Processing Services	445,801	-	-
0061	Community Services	-	-	-
Debt Service:				
0071	Principal on Long Term Debt	435,706	2,391,363	-
0072	Interest on Long Term Debt	170,920	3,455,485	-
0073	Bond Issuance Cost and Fees	-	4,785	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	82,258	-	245,726
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	850,620	-	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	39,305	-	-
0099	Other Intergovernmental Charges	321,344	-	-
6030	Total Expenditures	30,531,280	5,851,633	245,726
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,373,846	217,265	(243,935)
OTHER FINANCING SOURCES (USES):				
7911	Capital Related Debt Issued (Regular Bonds)	-	-	-
7912	Sale of Real and Personal Property	18,891	-	-
7915	Transfers In	-	-	3,000,000
8911	Transfers Out (Use)	(5,300,000)	-	-
7080	Total Other Financing Sources (Uses)	(5,281,109)	-	3,000,000
SPECIAL ITEMS:				
7918	Special Item - Resource	2,300,000	-	-
1200	Net Change in Fund Balances	(1,607,263)	217,265	2,756,065
0100	Fund Balance - September 1 (Beginning)	11,433,524	300,598	-
3000	Fund Balance - August 31 (Ending)	\$ 9,826,261	\$ 517,863	\$ 2,756,065

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

60 Capital Projects		Other Funds	Total Governmental Funds
\$	20,930	\$ 1,627,718	\$ 31,173,796
	-	497,370	8,517,375
	-	2,814,443	3,245,105
	20,930	4,939,531	42,936,276
	16,190	1,679,503	18,193,495
	-	150	338,026
	-	121,911	164,441
	-	14,299	417,275
	-	11,276	1,575,956
	-	198,511	1,086,771
	-	406	292,589
	-	-	1,049,805
	-	2,103,884	2,103,884
	90,460	696,305	2,181,478
	-	-	1,659,758
	464,666	84,568	4,362,412
	236,405	-	477,970
	-	-	445,801
	-	11,105	11,105
	-	-	2,827,069
	-	-	3,626,405
	-	-	4,785
	11,997,637	549,878	12,875,499
	-	-	850,620
	-	-	39,305
	-	-	321,344
	12,805,358	5,471,796	54,905,793
	(12,784,428)	(532,265)	(11,969,517)
	9,500,000	-	9,500,000
	-	-	18,891
	-	2,300,000	5,300,000
	-	-	(5,300,000)
	9,500,000	2,300,000	9,518,891
	-	124,046	2,424,046
	(3,284,428)	1,891,781	(26,580)
	11,018,089	473,817	23,226,028
\$	7,733,661	\$ 2,365,598	\$ 23,199,448

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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, 2014

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ (26,580)
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 (decrease) net position.	6,090
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 2014 capital outlays and debt principal payments is to increase (decrease) net position.	6,884,696
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.	(3,234,175)
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, eliminating interfund transactions, 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 increase (decrease) net position.	193,730
<b>Change in Net Position of Governmental Activities</b>	<hr/> \$ 3,823,761 <hr/>

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  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2014

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	\$ 22,470,645	\$ 23,217,229	\$ 23,458,216	\$ 240,987
5800	State Program Revenues	7,200,725	7,950,247	8,016,248	66,001
5900	Federal Program Revenues	433,075	433,075	430,662	(2,413)
5020	Total Revenues	30,104,445	31,600,551	31,905,126	304,575
EXPENDITURES:					
Current:					
0011	Instruction	16,224,136	16,497,975	16,497,802	173
0012	Instructional Resources and Media Services	339,415	341,952	337,876	4,076
0013	Curriculum and Instructional Staff Development	54,075	52,728	42,530	10,198
0021	Instructional Leadership	423,141	465,259	402,976	62,283
0023	School Leadership	1,510,507	1,569,606	1,564,680	4,926
0031	Guidance, Counseling and Evaluation Services	954,673	953,571	888,260	65,311
0033	Health Services	293,321	295,625	292,183	3,442
0034	Student (Pupil) Transportation	1,095,933	1,264,075	1,049,805	214,270
0036	Extracurricular Activities	1,413,531	1,427,122	1,394,713	32,409
0041	General Administration	1,526,311	1,760,453	1,659,758	100,695
0051	Facilities Maintenance and Operations	3,474,285	3,908,154	3,813,178	94,976
0052	Security and Monitoring Services	309,625	258,078	241,565	16,513
0053	Data Processing Services	441,179	451,813	445,801	6,012
Debt Service:					
0071	Principal on Long Term Debt	424,175	431,492	435,706	(4,214)
0072	Interest on Long Term Debt	175,138	175,138	170,920	4,218
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	90,804	82,258	8,546
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	1,100,000	855,000	850,620	4,380
0095	Payments to Juvenile Justice Alternative Ed.	30,000	40,000	39,305	695
0099	Other Intergovernmental Charges	320,000	321,350	321,344	6
6030	Total Expenditures	30,109,445	31,160,195	30,531,280	628,915
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,000)	440,356	1,373,846	933,490
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	5,000	5,000	18,891	13,891
8911	Transfers Out (Use)	-	(5,300,000)	(5,300,000)	-
7080	Total Other Financing Sources (Uses)	5,000	(5,295,000)	(5,281,109)	13,891
SPECIAL ITEMS:					
7918	Special Item - Resource	-	2,300,000	2,300,000	-
1200	Net Change in Fund Balances	-	(2,554,644)	(1,607,263)	947,381
0100	Fund Balance - September 1 (Beginning)	11,433,524	11,433,524	11,433,524	-
3000	Fund Balance - August 31 (Ending)	\$ 11,433,524	\$ 8,878,880	\$ 9,826,261	\$ 947,381

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, 2014

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 276,407	\$ 264
Investments - Current	-	448,010
Total Assets	276,407	448,274
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	-	82,584
Accrued Wages Payable	3,936	-
Unearned Revenues	1,000	-
Total Liabilities	4,936	82,584
<b>NET POSITION</b>		
Unrestricted Net Position	271,471	365,690
Total Net Position	\$ 271,471	\$ 365,690

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, 2014

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 232,769	\$ 158,467
Total Operating Revenues	232,769	158,467
OPERATING EXPENSES:		
Payroll Costs	171,459	-
Professional and Contracted Services	-	46,340
Supplies and Materials	6,498	-
Other Operating Costs	-	106,037
Capital Outlay	6,976	-
Total Operating Expenses	184,933	152,377
Operating Income	47,836	6,090
Total Net Position - September 1 (Beginning)	223,635	359,600
Total Net Position - August 31 (Ending)	\$ 271,471	\$ 365,690

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, 2014**

**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	\$ 408,117	158,467	566,584
Other Receipts	-	-	-
Total Receipts	\$ <u>408,117</u>	<u>158,467</u>	<u>566,584</u>
Cash Flows for Operating Activities			
Administrative	\$ (183,711)	(157,778)	(341,489)
Other Administrative Costs	0	0	0
Operating and Maintenance	0	0	0
Net Cash Flows for Operating Activities	\$ <u>(183,711)</u>	<u>(157,778)</u>	<u>(341,489)</u>
Net Cash Provided by Operating Activities	\$ <u>224,406</u>	<u>689</u>	<u>225,095</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>224,406</u>	<u>689</u>	<u>225,095</u>
Cash at Beginning of Year	\$ <u>52,001</u>	<u>447,585</u>	<u>499,586</u>
Cash at End of year	\$ <u><u>276,407</u></u>	<u><u>448,274</u></u>	<u><u>724,681</u></u>
Cash Flows from Operating Activities	\$ 47,836	6,089	53,925
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	175,348	-	175,348
Decrease (increase) in Prepaid Expenses	-	-	0
Increase (decrease) in Accounts Payable	1,222	(5,400)	(4,178)
Net Cash Provided (Used) in Operation Activities:	\$ <u><u>224,406</u></u>	<u><u>689</u></u>	<u><u>225,095</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, 2014

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EXHIBIT E-1

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	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 94,501
Total Assets	<u>\$ 94,501</u>
LIABILITIES	
Accounts Payable	\$ 7,005
Due to Student Groups	87,496
Total Liabilities	<u>\$ 94,501</u>

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

## NOTES TO FINANCIAL STATEMENTS

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2014**

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

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

**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.

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.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2014**

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.

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.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2014**

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.

**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.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2014**

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.
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.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2014**

**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	\$ 684,932	\$ -	\$ 684,932	
Buildings	78,972,305	24,501,211	54,471,094	
Furniture & Equipment	4,840,466	4,211,406	629,060	
Vehicles	3,164,189	1,813,478	1,350,711	
Capital Leases	427,552	286,345	141,207	
Construction in Progress	10,623,134	-	10,623,134	
Change in Net Position	\$ 98,712,578	\$ 30,812,440		\$ 67,900,138
Long-term Liabilities at the Beginning of the year				
Bonds and Loans Payable	\$ 71,618,235			
Accreted/Deferred Amts	221,066			
Change in Net Position				\$ 71,839,301
Net Adjustment to Net Position				\$ (3,939,163)

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2014**

**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	\$ 256,246	\$ 256,246	\$ 256,246
Buildings & Improvements	10,363,520	10,363,520	10,363,520
Furniture & Equipment	259,401	259,401	259,401
Construction in Process	2,453,549	2,453,549	2,453,549
Other	33,838	33,838	33,838
Total Capital Outlay	<u>\$ 13,366,554</u>	<u>\$ 13,366,554</u>	<u>\$ 13,366,554</u>
<u>Debt Principal Payments</u>			
Bond Principal	(6,883,756)	(6,883,756)	(6,883,756)
Loan Principal	302,674	302,674	302,674
Capital Lease Payments	99,224	99,224	99,224
Other	-	-	-
Total Principal Payments	<u>(6,481,858)</u>	<u>(6,481,858)</u>	<u>(6,481,858)</u>
Total Adjustment to Net Position		<u><u>\$ 6,884,696</u></u>	<u><u>\$ 6,884,696</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
\$ 604,947	\$ 604,947	\$ 604,947
-	-	-
-	-	-
(163,793)	(163,793)	-
<u>\$ 441,154</u>	<u>\$ 441,154</u>	<u>\$ 604,947</u>

**TULOSO MIDWAYINDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2014**

**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 C-5 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 2013-2014 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, 2014
	<u>Fund Balance</u>
Non-appropriated Budget Funds	<u>\$ 82,148</u>
All Special Revenue Funds	<u><u>\$ 82,148</u></u>

**B. Excess of Expenditures over Appropriations**

Food Services - \$72,346

**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, 2014**

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	\$ 743,711	\$ 165,983	\$ 909,694
Allowance for Uncollectable Taxes	(249,143)	(55,604)	(304,747)
Net Delinquent Taxes Receivable	<u>\$ 494,568</u>	<u>\$ 110,379</u>	<u>\$ 604,947</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, 2014**

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, 2014**

**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, 2014, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$25,897,701 and the bank/investment balance was \$26,361,089. The District's cash deposits were secured entirely covered by FDIC Insurance and securities during the fiscal year.

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

- a. Depository: Prosperity Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$11,141,169.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$9,655,157 and occurred during the month of March 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, 2014**

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.

<u>Investment or Investment Type</u>	<u>Maturity Less Than 1 Year</u>	<u>Fair Value</u>
TexPool		\$ 195,558
Texas Class		2,757,617
Texas Term Local Government Pool		124,215
First Public - Lone Star Investment Pool		14,103,274
Total Investments		<u>\$ 17,180,664</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, 2014 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, 2014**

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, 2014**

**F. Capital Assets**

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 684,932	\$ 256,256	\$ 10	\$ 941,178
Construction in Progress	10,623,134	7,249,169	4,795,620	13,076,683
Total Capital assets not being depreciated	<u>11,308,066</u>	<u>7,505,425</u>	<u>4,795,630</u>	<u>14,017,861</u>
<i>Capital Asset being depreciated:</i>				
Buildings and improvements	78,972,305	10,540,420	534,152	88,978,573
Equipment	4,840,465	242,044	-	5,082,509
Vehicles	3,164,188	17,357	453,532	2,728,013
Capital Leases	427,552	33,838		461,390
Total capital assets being depreciated	<u>87,404,510</u>	<u>10,833,659</u>	<u>987,684</u>	<u>97,250,485</u>
Less accumulated depreciation for:				
Buildings and improvements	(24,501,211)	(2,781,065)	(357,252)	(26,925,024)
Equipment	(4,211,405)	(215,538)	-	(4,426,943)
Vehicles	(1,813,477)	(168,250)	(453,532)	(1,528,195)
Capital Leases	(286,346)	(69,322)	-	(355,668)
Total accumulated depreciation	<u>(30,812,439)</u>	<u>(3,234,175)</u>	<u>(810,784)</u>	<u>(33,235,830)</u>
Total capital assets being depreciated, net	<u>56,592,071</u>	<u>7,599,484</u>	<u>176,900</u>	<u>64,014,655</u>
Governmental activities capital assets, net	<u>\$ 67,900,137</u>	<u>\$ 15,104,909</u>	<u>\$ 4,972,530</u>	<u>\$ 78,032,516</u>
Depreciation was charged to functions as follows:				
Instruction	\$ 1,741,111			
Instruction Resources and Media Services	40,046			
Curriculum and Staff Development	1,953			
Instructional Leadership	75,000			
School Leadership	164,927			
Guidance, Counseling, & Evaluation Services	136,198			
Social Work Services	12,840			
Health Services	20,418			
Student Transportation	168,218			
Food Services	211,113			
Extracurricular Activities	189,695			
General Administration	96,827			
Plant Maintenance and Operations	365,653			
Security and Monitoring Services	10,031			
Data Processing	7			
Community Services	138			
Total Depreciation	<u>\$ 3,234,175</u>			

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2014**

**G. Interfund Balances and Activities**

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2014, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 192,196	Short-term loans
General Fund	Major Fund	-	Short-term loans
General Fund	Other Governmental Funds	150,636	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
	<b>Total</b>	<b>\$ 342,832</b>	

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, 2014, were as follows:

	Property Taxes - Net	Other Governments	Due From Other Funds	Other	Total Receivables
<b>Governmental Activities:</b>					
General Fund	\$ 494,568	\$ 890,005	\$ 342,832	\$ 2,686	\$ 1,730,091
Major Governmental Funds	110,379	743	-	2,053	113,175
Non-major Governmental Funds	-	302,016	-	2,606	304,622
Total - Governmental Activities	<u>\$ 604,947</u>	<u>\$ 1,192,764</u>	<u>\$ 342,832</u>	<u>\$ 7,345</u>	<u>\$ 2,147,888</u>

Payables at August 31, 2014, were as follows:

	Accounts	Loans, Leases and Bonds Payable- Current Year	Salaries and Benefits	Due to Other Funds	Due to Other Governments	Other	Total Payables
<b>Governmental Activities:</b>							
General Fund	\$ 418,197	\$ 3,310,009	\$ 115,129	\$ 111,943	\$ -	\$ 2,388	\$ 3,957,666
Major Gov. Fund	2,721,427	-	-	150,635	-	-	2,872,062
Non-major Gov. Funds	351,901	-	-	80,253	359	-	432,513
Total - Gov. Activities	<u>\$ 3,491,525</u>	<u>\$ 3,310,009</u>	<u>\$ 115,129</u>	<u>\$ 342,831</u>	<u>\$ 359</u>	<u>\$ 2,388</u>	<u>\$ 7,262,241</u>

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2014**

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, 2014, are as follow:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Refunding Bonds 2005 3.5%-4.20%, (mat. 2/15/26)	\$ 8,194,998	\$ -	\$ 76,363	\$ 8,118,635	\$ 73,636
Refunding Bonds 2006 3.5%-4.15%, (mat. 2/15/27)	7,205,000	-	320,000	6,885,000	335,000
Building Bonds Series 2007 4.00%-5.00%, (mat.2/15/37)	9,075,000	-	215,000	8,860,000	225,000
Building Bonds Series 2008 4.00%-5.00%, (mat. 8/15/38)	12,695,000	-	275,000	12,420,000	285,000
Building Bonds Series 2009 3.00%-5.00%, (mat. 8/15/39)	4,789,999	-	465,000	4,324,999	480,000
Refunding Bonds 2010 2.00%-2.50%, (mat. 8/15/17)	730,000	-	180,000	550,000	180,000
Building Bonds Series 2012 2.00%-3.375%, (mat. 8/15/32)	9,190,000	-	375,000	8,815,000	380,000
Building Bonds Series 2014 2.00%-5.00%, (mat. 8/15/33)	15,300,000	-	485,000	14,815,000	535,000
Building Bonds, Series 2014 2.00%-4.00%, (mat. 8/15/33)	-	9,380,000	-	9,380,000	315,000
Capital leases	201,116	33,838	133,060	101,894	81,613
Maintenance Tax Note 4.388%, (mat. 8/15/23)	1,927,469	-	157,674	1,769,795	164,593
Maintenance Tax Note 3.78% fixed, 15 yrs, (mat. 8/15/25)	2,225,000	-	145,000	2,080,000	155,000
Accretion	186,033	-	111,033	75,000	75,000
Compensated absences	119,685	30,087	23,937	125,835	25,167
Total governmental activities	<u>\$ 71,839,300</u>	<u>\$ 9,443,925</u>	<u>\$ 2,962,067</u>	<u>\$ 78,321,158</u>	<u>\$ 3,310,009</u>

Beginning unamortized premium (discount) has been corrected.

\* 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, 2014**

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2014, are as follows:

Governmental Activities			
Year Ending	Principal	Interest	Total
August 31,			
2015	\$ 2,808,636	\$ 3,680,870	\$ 6,489,506
2016	3,410,000	3,195	3,413,195
2017	3,525,000	2,776,083	6,301,083
2018	3,675,000	2,644,314	6,319,314
2019	3,980,000	2,501,789	6,481,789
Thereafter	56,770,000	21,162,250	77,932,250
Totals	<u>\$74,168,636</u>	<u>\$32,768,501</u>	<u>\$106,937,137</u>

Governmental Activities - Notes			
Year Ending	Principal	Interest	Total
August 31,			
2015	\$ 319,593	\$ 153,353	\$ 472,946
2016	331,815	140,177	471,992
2017	344,355	126,495	470,850
2018	362,225	112,199	474,424
2019	375,440	97,274	472,714
Thereafter	2,116,367	244,589	2,360,956
Totals	<u>\$ 3,849,795</u>	<u>\$ 874,087</u>	<u>\$ 4,723,882</u>

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, 2014**

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.

4. Capital Leases

Commitments under capitalized lease agreement for facilities and equipment provide for minimum futures of August 31, 2014, as follows:

<u>Year Ending August 31:</u>	<u>Annual</u>
2015	\$ 83,555
2016	7,316
2017	7,316
2018	7,316
2019	-
Total Minimum Lease Payments	<u>\$ 105,503</u>
Less Interest Due	<u>(3,609)</u>
Total Minimum Rentals	<u><u>\$ 101,894</u></u>

The effective interest rate on capital leases is 3.44% & 4.057%

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2014**

**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, 2014, 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	\$ 890,005	\$ -	\$ -	\$ 890,005
Special Revenue	87,077	214,939	-	302,016
Total	<u>\$ 977,082</u>	<u>\$ 214,939</u>	<u>\$ -</u>	<u>\$ 1,192,021</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 2014, 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. Pension Plan**

***Plan Description.***

Plan Description. The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67; and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

***Funding Policy.***

Funding Policy. Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements, if as a result of a 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.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2014**

Contribution rates and contributions for fiscal years 2014–2012 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum.

Contribution Rates and Contribution Amounts					
Year	Member		State		Statutory Minimum Amount
	Rate	Amount	Rate	Amount	
2014	6.4%	\$1,276,781	6.800%	\$1,356,579	\$171,590
2013	6.4%	\$1,169,829	6.400%	\$1,169,829	\$131,588
2012	6.4%	\$1,113,199	6.000%	\$1,043,624	\$132,240

***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 Tulooso Midway Independent School District for 2014, 2013 and 2012 were \$53,193, \$47,684 and \$47,766 respectively.

**L. HEALTH CARE COVERAGE**

***Retiree Health Care Plan***

**Plan Description**

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

**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 2014–2012.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2014**

Contribution Rates						
Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	65%	\$129,673	1.0%	\$199,497	55%	\$109,723
2013	65%	\$118,811	5%	\$91,393	55%	\$100,532
2012	65%	\$113,059	1.0%	\$173,937	55%	\$95,666

**M. Employee Health Care Coverage**

During the year ended August 31, 2014, 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, 2014, 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.

**O. Shared Services Arrangements**

The District participated in several shared service arrangements ("SSA") for the processing of expenditures of several day to day expenses including electricity and data processing. The District does not account for revenues or expenditures in these programs and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, ESC2 or Deer Park ISD, nor does the district have a net equity interest in the fiscal agents. The fiscal agents are neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent managers are responsible for all financial activities of the Shared Service Arrangements.

**P. Deferred Inflows of Resources**

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Unavailable Property Tax Revenue	\$ 494,568	\$ -	\$ 110,379	\$ 604,947
State & Federal Governments	-	-	-	-
Total Deferred Revenue	<u>\$ 494,568</u>	<u>\$ -</u>	<u>\$ 110,379</u>	<u>\$ 604,947</u>

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2014**

**Q. Unearned Revenues**

Unearned Revenues at year end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
State & Federal Governments	\$ 16,146	\$ 156,527	\$ -	\$ 172,673
Total Unearned Revenue	<u>\$ 16,146</u>	<u>\$ 156,527</u>	<u>\$ -</u>	<u>\$ 172,673</u>

**R. Revenue From Local and Intermediate Sources**

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

	General Fund	Major Funds	Other Funds	Total
Property Taxes	\$ 22,635,633	\$ 6,026,390	\$ -	\$ 28,662,023
Penalties, Interest and Other Tax-related Income	110,107	28,130	-	138,237
Investment Income	27,924	19,502	1,241	48,667
Food Sales	-	-	847,296	847,296
Co-curricular Student Activities	102,138	-	727,241	829,379
Other	582,414	13,840	51,940	648,194
Total	<u>\$ 23,458,216</u>	<u>\$ 6,087,862</u>	<u>\$ 1,627,718</u>	<u>\$ 31,173,796</u>

**S. Subsequent Events**

On November 4, 2014 District voters approved a Chapter 41 ballot proposition authorizing the Board of Trustees of Tulosso-Midway ISD to purchase attendance credits from the state with local tax revenues.

On October 21, 2014 the outstanding S-2010 Maintenance Tax Notes in the amount of \$1,925,000 were refunded and refinanced for an average annual savings of \$10,483.

On November 6, 2014 the outstanding the Refunding Bonds Series 2005 in the amount of \$7,645,000 were refunded and refinanced for an average annual savings of 67,898.

**T. Prior Period Adjustments**

None

**U. Fund Balances**

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

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2014**

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

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

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

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

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

#### District Fund Balance Policy

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

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2014**

**V. Fund Balance - GASB 54 Compliance**

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

<u>Fund Balance Classification</u>	<u>Amount</u>
Non-spendable	
Inventories	\$ 124,234
Pre-paids	484,158
Committed	
Construction	12,362,251
Restricted	
Federal/State Grants	76,780
Retirement of Long Term Debt	517,863
Assigned Fund Balances	
Construction	1,080,000
Capital Expenditures for Equipment	19,765
Other Assigned Fund Balance	1,053,301
Undesignated/Unassigned	
Unassigned Fund Balance	7,481,096
Total Fund Balances	<u>\$ 23,199,448</u>

**W. MAINTENANCE OF EFFORT**

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

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

a) Total District Premium paid for health care 2013-2014	<u>\$ 740,250</u>
b) Subtract any non-medical expenditures	
Life Insurance	\$ 6,063
Long-term Disability	4,869
	<u>10,932</u>
c) 2013-2014 Maintenance of Effort	<u><u>\$ 729,318</u></u>

## COMBINING SCHEDULES

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2014

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
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 620
1120	Investments - Current	-	-	-	-
1240	Receivables from Other Governments	34,825	8,882	-	168,580
1290	Other Receivables	-	-	-	2,606
1300	Inventories	-	-	-	5,368
1000	Total Assets	<u>\$ 34,825</u>	<u>\$ 8,882</u>	<u>\$ -</u>	<u>\$ 177,174</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 34,825	\$ 3,545	\$ -	\$ 14,742
2170	Due to Other Funds	-	5,337	-	74,916
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenues	-	-	-	5,368
2000	Total Liabilities	<u>34,825</u>	<u>8,882</u>	<u>-</u>	<u>95,026</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	5,368
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	76,780
Committed Fund Balance:					
3510	Construction	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,148</u>
4000	Total Liabilities and Fund Balances	<u>\$ 34,825</u>	<u>\$ 8,882</u>	<u>\$ -</u>	<u>\$ 177,174</u>

## EXHIBIT H-1 (Cont'd)

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	288	397 Advanced Placement Incentives	410 State Textbook Fund	461 Campus Activity Funds	462 Tuloso Education Foundation	481 Del Mar Dual Credit
\$ -	\$ -	\$ -	\$ 725	\$ 42,060	\$ 41,826	\$ 18,655	\$ 203
-	-	-	-	-	379,986	-	-
-	2,652	-	-	87,077	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 2,652</u>	<u>\$ -</u>	<u>\$ 725</u>	<u>\$ 129,137</u>	<u>\$ 421,812</u>	<u>\$ 18,655</u>	<u>\$ 203</u>
\$ -	\$ 2,652	\$ -	\$ -	\$ -	\$ 10,887	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	359	-
-	-	-	725	129,137	-	18,296	203
<u>-</u>	<u>2,652</u>	<u>-</u>	<u>725</u>	<u>129,137</u>	<u>10,887</u>	<u>18,655</u>	<u>203</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	410,925	-	-
-	-	-	-	-	410,925	-	-
<u>\$ -</u>	<u>\$ 2,652</u>	<u>\$ -</u>	<u>\$ 725</u>	<u>\$ 129,137</u>	<u>\$ 421,812</u>	<u>\$ 18,655</u>	<u>\$ 203</u>

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2014

Data Control Codes		496 County Diabetes Fund	Total Nonmajor Special Revenue Funds	650 Capital Project Fund 20 Million	675 Capital Projects Fund 27.3 Million
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 2,798	\$ 106,887	\$ -	\$ -
1120	Investments - Current	-	379,986	8,401	124,215
1240	Receivables from Other Governments	-	302,016	-	-
1290	Other Receivables	-	2,606	-	-
1300	Inventories	-	5,368	-	-
1000	Total Assets	<u>\$ 2,798</u>	<u>\$ 796,863</u>	<u>\$ 8,401</u>	<u>\$ 124,215</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ 66,651	\$ -	\$ -
2170	Due to Other Funds	-	80,253	-	-
2180	Due to Other Governments	-	359	-	-
2300	Unearned Revenues	2,798	156,527	-	-
2000	Total Liabilities	<u>2,798</u>	<u>303,790</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	5,368	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	76,780	-	-
Committed Fund Balance:					
3510	Construction	-	-	8,401	124,215
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	410,925	-	-
3000	Total Fund Balances	<u>-</u>	<u>493,073</u>	<u>8,401</u>	<u>124,215</u>
4000	Total Liabilities and Fund Balances	<u>\$ 2,798</u>	<u>\$ 796,863</u>	<u>\$ 8,401</u>	<u>\$ 124,215</u>

680 Energy Perf. Project Fund	699 Capital Projects Fund 13 Million	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 106,887
10,463	2,014,696	2,157,775	2,537,761
-	-	-	302,016
-	-	-	2,606
-	-	-	5,368
<u>\$ 10,463</u>	<u>\$ 2,014,696</u>	<u>\$ 2,157,775</u>	<u>\$ 2,954,638</u>
\$ -	\$ 285,250	\$ 285,250	\$ 351,901
-	-	-	80,253
-	-	-	359
-	-	-	156,527
<u>-</u>	<u>285,250</u>	<u>285,250</u>	<u>589,040</u>
-	-	-	5,368
-	-	-	76,780
10,463	1,729,446	1,872,525	1,872,525
-	-	-	410,925
<u>10,463</u>	<u>1,729,446</u>	<u>1,872,525</u>	<u>2,365,598</u>
<u>\$ 10,463</u>	<u>\$ 2,014,696</u>	<u>\$ 2,157,775</u>	<u>\$ 2,954,638</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, 2014

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	\$ -	\$ -	\$ -	\$ 847,297
5800 State Program Revenues	-	-	-	8,856
5900 Federal Program Revenues	775,776	555,485	11,355	1,317,735
5020 Total Revenues	775,776	555,485	11,355	2,173,888
EXPENDITURES:				
Current:				
0011 Instruction	737,334	342,221	10,364	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	25,088	7,931	600	-
0021 Instructional Leadership	2,213	6,786	-	-
0023 School Leadership	6,181	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	197,765	391	-
0033 Health Services	-	406	-	-
0035 Food Services	-	-	-	2,103,884
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	15,803
0061 Community Services	4,960	376	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	775,776	555,485	11,355	2,119,687
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	54,201
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
SPECIAL ITEMS:				
7918 Special Item - Resource	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	54,201
0100 Fund Balance - September 1 (Beginning)	-	-	-	27,947
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 82,148

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	288	397 Advanced Placement Incentives	410 State Textbook Fund	461 Campus Activity Funds	462 Tuloso Education Foundation	481 Del Mar Dual Credit
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 727,241	\$ 45,408	\$ 762
-	-	-	1,014	487,500	-	-	-
31,682	122,410	-	-	-	-	-	-
31,682	122,410	-	1,014	487,500	727,241	45,408	762
28,682	26,368	-	1,014	487,500	-	45,408	612
-	-	-	-	-	-	-	150
3,000	85,292	-	-	-	-	-	-
-	5,300	-	-	-	-	-	-
-	5,095	-	-	-	-	-	-
-	355	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	696,305	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
31,682	122,410	-	1,014	487,500	696,305	45,408	762
-	-	-	-	-	30,936	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	30,936	-	-
-	-	-	-	-	379,989	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410,925	\$ -	\$ -

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		496 County Diabetes Fund	Total Nonmajor Special Revenue Funds	650 Capital Project Fund 20 Million	675 Capital Projects Fund 27.3 Million
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 5,769	\$ 1,626,477	\$ 8	\$ 51
5800	State Program Revenues	-	497,370	-	-
5900	Federal Program Revenues	-	2,814,443	-	-
5020	Total Revenues	5,769	4,938,290	8	51
EXPENDITURES:					
Current:					
0011	Instruction	-	1,679,503	-	-
0012	Instructional Resources and Media Services	-	150	-	-
0013	Curriculum and Instructional Staff Development	-	121,911	-	-
0021	Instructional Leadership	-	14,299	-	-
0023	School Leadership	-	11,276	-	-
0031	Guidance, Counseling and Evaluation Services	-	198,511	-	-
0033	Health Services	-	406	-	-
0035	Food Services	-	2,103,884	-	-
0036	Extracurricular Activities	-	696,305	-	-
0051	Facilities Maintenance and Operations	-	15,803	-	-
0061	Community Services	5,769	11,105	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
6030	Total Expenditures	5,769	4,853,153	-	-
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	85,137	8	51
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
SPECIAL ITEMS:					
7918	Special Item - Resource	-	-	-	124,046
1200	Net Change in Fund Balance	-	85,137	8	124,097
0100	Fund Balance - September 1 (Beginning)	-	407,936	8,393	118
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 493,073	\$ 8,401	\$ 124,215

680 Energy Perf. Project Fund	699 Capital Projects Fund 13 Million	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ 4	\$ 1,178	\$ 1,241	\$ 1,627,718
-	-	-	497,370
-	-	-	2,814,443
4	1,178	1,241	4,939,531
-	-	-	1,679,503
-	-	-	150
-	-	-	121,911
-	-	-	14,299
-	-	-	11,276
-	-	-	198,511
-	-	-	406
-	-	-	2,103,884
-	-	-	696,305
-	68,765	68,765	84,568
-	-	-	11,105
-	549,878	549,878	549,878
-	618,643	618,643	5,471,796
4	(617,465)	(617,402)	(532,265)
-	2,300,000	2,300,000	2,300,000
-	-	124,046	124,046
4	1,682,535	1,806,644	1,891,781
10,459	46,911	65,881	473,817
\$ 10,463	\$ 1,729,446	\$ 1,872,525	\$ 2,365,598

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## REQUIRED TEA SCHEDULES

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	\$ 1.475900	\$ 0.248800	\$ 1,065,618,344
2006	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 (School year under audit)	1.040000	0.277100	2,195,544,346
1000 TOTALS			

(10) Beginning Balance 9/1/2013		(20) Current Year's Total Levy		(31) Maintenance Collections		(32) Debt Service Collections		(40) Entire Year's Adjustments		(50) Ending Balance 8/31/2014	
\$	142,650	\$	-	\$	2,183	\$	368	\$	(12,926)	\$	127,173
	25,931		-		276		45		(465)		25,145
	19,341		-		553		98		(555)		18,135
	38,556		-		486		113		(528)		37,429
	49,367		-		6,623		1,861		4,205		45,088
	47,511		-		12,673		3,560		16,430		47,708
	105,856		-		22,747		3,153		15,431		95,387
	159,604		-		27,215		6,032		23,196		149,553
	174,842		-		65,207		16,085		14,299		107,849
	-		28,749,198		22,498,436		5,994,535		-		256,227
<u>\$</u>	<u>763,658</u>	<u>\$</u>	<u>28,749,198</u>	<u>\$</u>	<u>22,636,399</u>	<u>\$</u>	<u>6,025,850</u>	<u>\$</u>	<u>59,087</u>	<u>\$</u>	<u>909,694</u>

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2015-2016  
GENERAL AND SPECIAL REVENUE FUNDS  
AUGUST 31, 2014

**FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST**

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ 33,812	\$ -	\$ 180,000	\$ 802,724	\$ 24,156	\$ -	\$ 1,040,692
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	452	-	-	452
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	5,768	-	159,746	-	9,023	-	174,537
6212	Audit Services	-	-	-	29,500	-	-	29,500
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	331,241	-	-	-	-	331,241
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	66,000	-	119,650	13,072	-	-	198,722
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	6,175	24,811	500	-	31,486
6240	Contr. Maint. and Repair	-	-	-	-	19,376	-	19,376
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	200	3,300	1,140	-	4,640
6290	Miscellaneous Contr.	2,539	-	-	33,285	-	-	35,824
6320	Textbooks and Reading	-	-	-	-	310	-	310
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	1,128	-	2,106	21,924	7,606	-	32,764
6410	Travel, Subsistence, Stipends	14,296	-	2,172	6,605	984	-	24,057
6420	Ins. and Bonding Costs	15,253	-	-	-	1,800	-	17,053
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	9,375	-	10,574	23,902	1,253	-	45,104
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	12,111	12,111
6000	TOTAL	\$ 148,171	\$ 331,241	\$ 480,623	\$ 959,575	\$ 66,148	\$ 12,111	\$ 1,997,869

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 35,384,430

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 966,166
Total Debt & Lease(6500)	(11) 606,626
Plant Maintenance (Function 51, 6100-6400)	(12) 3,664,826
Food (Function 35, 6341 and 6499)	(13) 1,806
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	959,575

SubTotal:

6,199,000

Net Allowed Direct Cost

\$ 29,185,430

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 78,972,303
Historical Cost of Building over 50 years old	(16) \$ 2,212,116
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 8,432,208
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 314,905
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ 373,765

(8) NOTE A: \$16,770 in Function 53 expenditures are included in this report on administrative costs.

\$321,344 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT  
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
GENERAL FUND AS OF AUGUST 31, 2014

EXHIBIT J-3

**UNAUDITED**

1	Total General Fund Balance as of 8/31/14 (Exhibit C-1 object 3000 for the General Fund Only)	\$ 9,826,261
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 603,024
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)	1,742,141
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)	-
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)	8,345,165
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)	\$ 1,481,096

Explanation of need for and/or projected use of net positive Unassigned General Fund Fund Balance:

The Tulooso Midway Independent School District Board of Trustees are actively working toward a minimum unassigned fund balance of at least three months average of annual expenditures. As the fixed assets of the Districts age, the District is in need of various upgrades. The District has passed a series of bonds during the past and current audit period, but with additional District needs, the excess fund balance may be needed for additional contingency issues and/or costs. These costs will come from the committed and assigned fund balance.

In addition, due to questions of the financial stability of the school finance system of the State of Texas, the Board of Trustees is working to maintain their fiscal responsibility to the community to have funds to maintain the facilities and to utilize as necessary these funds for the day to day operations and to be prepared for the forthcoming estimated State and Federal revenue reductions that may be possible in the upcoming 2015-2016 fiscal year.

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, 2014

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	\$ 846,300	\$ 847,297	\$ 997
5800	State Program Revenues	8,738	8,738	8,856	118
5900	Federal Program Revenues	1,192,500	1,192,500	1,317,735	125,235
5020	Total Revenues	2,047,538	2,047,538	2,173,888	126,350
EXPENDITURES:					
Current:					
0035	Food Services	2,031,538	2,031,538	2,103,884	(72,346)
0051	Facilities Maintenance and Operations	16,000	16,000	15,803	197
6030	Total Expenditures	2,047,538	2,047,538	2,119,687	(72,149)
1200	Net Change in Fund Balances	-	-	54,201	54,201
0100	Fund Balance - September 1 (Beginning)	27,947	27,947	27,947	-
3000	Fund Balance - August 31 (Ending)	\$ 27,947	\$ 27,947	\$ 82,148	\$ 54,201

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, 2014

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	\$ 6,056,685	\$ 6,056,685	\$ 6,065,141	\$ 8,456
5800	State Program Revenues	-	-	3,757	3,757
5020	Total Revenues	6,056,685	6,056,685	6,068,898	12,213
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	2,391,363	2,391,363	2,391,363	-
0072	Interest on Long Term Debt	3,455,487	3,455,487	3,455,485	2
0073	Bond Issuance Cost and Fees	5,000	5,000	4,785	215
6030	Total Expenditures	5,851,850	5,851,850	5,851,633	217
1200	Net Change in Fund Balances	204,835	204,835	217,265	12,430
0100	Fund Balance - September 1 (Beginning)	300,598	300,598	300,598	-
3000	Fund Balance - August 31 (Ending)	\$ 505,433	\$ 505,433	\$ 517,863	\$ 12,430

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## FEDERAL AWARDS SECTION

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*Certified Public Accountants*

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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**

November 21, 2014

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, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2014.

**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  
November 21, 2014

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, 2014

None

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2014

None

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2014

**I. Summary of the Auditor's Results:**

Financial statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

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

An unmodified opinion was issued regarding compliance and internal controls.

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

The audit disclosed no audit findings which are required to be reported in this schedule under OMB Circular A-133.

Major programs:

ESEA Title I, 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, 2014

**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, 2014

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**

November 21, 2014

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, 2014. 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, 2014.

**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, 2014, and have issued our report thereon dated November 21, 2014, 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  
November 21, 2014

A handwritten signature in black ink, appearing to read "Ernest R. Garza P.C. CPA's", is written over a horizontal line.

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT K-1

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14 - 610101178912	\$ 775,776
*IDEA - Part B, Formula	84.027	14 - 660001178912660	555,485
*IDEA - Part B, Preschool	84.173	14 - 661001178912610	11,355
Total Special Education Cluster (IDEA)			566,840
Career and Technical - Basic Grant	84.048	14 - 420006178912	31,682
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14 - 694501178912	122,410
Total Passed Through State Department of Education			\$ 1,496,708
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 1,496,708</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401301	\$ 429,784
*National School Lunch Program - Cash Assistance	10.555	71301301	808,350
*National School Lunch Prog. - Non-Cash Assistance	10.555		79,601
Total CFDA Number 10.555			887,951
Total Child Nutrition Cluster			1,317,735
Total Passed Through the State Department of Agriculture			\$ 1,317,735
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 1,317,735</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 2,814,443</b>

\*Clustered Programs

TULOSO MIDWAY INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2014

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.