

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2020



Lovvorn & Kieschnick
CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

DIRECTORY OF OFFICIALS

AUGUST 31, 2020

BOARD OF TRUSTEES

PAUL MOSTELLA	PRESIDENT
FELIX LANDIN, JR.	VICE-PRESIDENT
STEPHEN HOELSCHER	SECRETARY
JAN MOSTELLA	VICE-SECRETARY
BILLY LERMA	MEMBER
KIM SCHICK	MEMBER
JOHN E.SAMANIEGO	MEMBER

OTHER OFFICIALS

MELODIE McCLARREN	INTERIM SUPERINTENDENT
PHILIP CARROLL	BUSINESS MANAGER
VANESSA R. RIGGS	ASSISTANT BUSINESS MANAGER

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Tuloso-Midway Independent School District
Annual Financial Report
For The Year Ended August 31, 2020

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Introductory Section

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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, 2020, at a meeting of the board of trustees of such school district on the 16th day of November, 2020.


Signature of Board Secretary


Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

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Financial Section

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Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

Independent Auditor's Report

To the Board of Trustees
Tuloso-Midway Independent School District
9760 La Branch Drive
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 the Tuloso-Midway Independent School District ("the District") as of and for the year ended August 31, 2020, 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 District'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 District'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, 2020, 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 and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tulosso-Midway Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section 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 11, 2020 on our consideration of Tulosso-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 solely 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 the effectiveness of the District's 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 Tulosso-Midway Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Lovvorn & Kieschnick, LLP

Lovvorn & Kieschnick, LLP

Corpus Christi, TX

November 11, 2020

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Management's Discussion and Analysis

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**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2020
UNAUDITED**

This section of Tuloso-Midway Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

DISTRICT HIGHLIGHTS

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

- District Tagline: All Students Can Learn – Believe It and Achieve It
- The mission of the Tuloso-Midway Independent School District is to educate every student to be a lifelong learner, a person of integrity, and a positive contributor to society.
- District Goals include:
 - Exceed increasing academic standards by addressing the needs of each student and enable students to develop and pursue their vision for success in education, life and career
 - Recruit, retain and develop highly qualified employees with a sense of responsibility for the success of a new generation of students
 - Commit to fostering a community that will support the success of all students
 - Provide a safe, healthy and drug-free environment that promotes positive lifestyles
 - Aggressively obtain and allocate resources to facilitate optimal student achievement
 - Incorporate innovative technologies to optimize teaching, learning, and working
 - Demonstrate effective planning of maintenance, options and facilities
- T-MISD is known as the "School District of Choice in the Coastal Bend" with 586 out-of-district transfer students.
- The District operates on a year-round calendar that provides one week of intercession after each six weeks of instruction.
- The Texas Education Agency rated T-MISD as a B on the A-F Accountability scale during the 2018-2019 school year. Due to COVID-19, the Texas Education Agency suspended annual academic assessment requirements for the 2019-2020 school year.
- Annual drop-out rate for the District is less than 1%.
- T-MISD consists of 5 campuses throughout the district.
 - High School – Serves grade 9 through 12
 - Academic Career Center – Serves as an alternative high school
 - Middle School – Serves grade 6 through 9
 - Intermediate School – Serves grade 3 through 5
 - Primary School – Serves Pre-Kindergarten through 2nd grade.
- T-MISD is a large 4A school district that encompasses 415 square miles in Nueces County. Industrial (oil and gas) and agriculture provide the economic base of the district.
- The enrollment of the district decreased about 0.38%. Enrollment was 3,926, with the average daily attendance approximating 3,561.62 students daily.

- T-MISD employees approximately 668 full-time and part-time employees, including 283 teachers.
- The district is considered a wealthy school district based on property tax revenue per student accounting to the Texas Education Agency. The district sent \$446,182 of local property tax revenue to the State of Texas to fund other school districts during the current fiscal year.
- The oldest school building in use in the district is the Middle School gym built in 1952 and the newest building in use is the Intermediate classroom addition built in 2017.

FINANCIAL HIGHLIGHTS

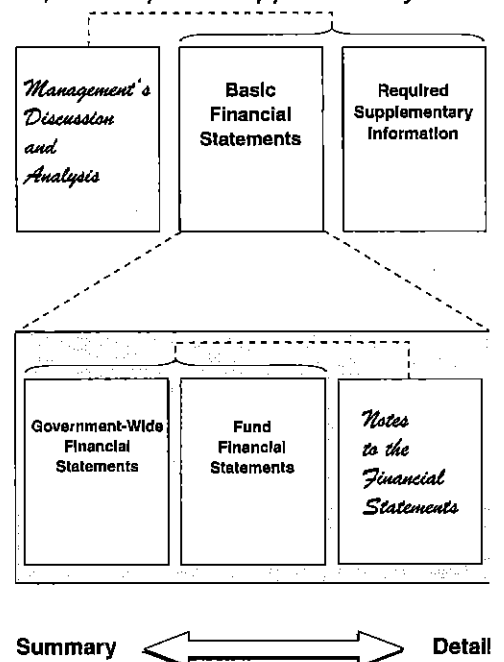
- The District's total combined net position was \$15,340,902 at August 31, 2020.
- During the year, the District's expenses were \$1,345,243 less than the \$53,803,362 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$16,922,355.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of 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 governmental 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 after-school care.
- *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 this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of 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, deferred outflows of resources, liabilities, and deferred inflows of resources—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, one needs to consider additional nonfinancial 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, state formula revenue, 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.

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

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses; after-school care	Instances in which the district is the trustee or agent for someone else's resources
Major financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenses, and changes in fund balance	Statement of net assets Statement of revenues, expenses, and changes in fund balance	Statement of fiduciary net position Statement of assets and liabilities
Accounting basis and measurement focus	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
Major financial statement line items	Assets and liabilities Revenues and expenses	Assets and liabilities Revenues and expenses	Assets and liabilities Revenues and expenses	Assets and liabilities Revenues and expenses
Type of inflow/outflow information	All revenues and expenses during 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 and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

- 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 the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included 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 statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds*—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 service funds* to report activities that provide supplies and services for the District's other programs and activities.
- *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. All of 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 exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

(continued)

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2020	2019	2020	2019	2020	2019	2020-2019
Current Assets:							
Cash and Cash Equivalents	21,150,198	18,368,139	228,059	227,844	21,378,257	18,595,983	-92.7%
Property Taxes Receivable (Delinquent)	3,737,316	1,132,296	-	-	3,737,316	1,132,296	230.1%
Allowance for Uncollectible Taxes	(1,868,659)	(377,428)	-	-	(1,868,659)	(377,428)	395.1%
Due from Other Governments	1,686,834	3,087,652	-	-	1,686,834	3,087,652	-45.4%
Other Receivables, Net	-	3,178	-	-	-	3,178	-100.0%
Inventories	97,682	53,868	-	-	97,682	53,868	81.3%
Other Current Assets	613,385	498,075	-	702	613,385	498,777	23.0%
Total Current Assets:	25,416,756	22,765,780	228,059	228,546	25,644,815	22,994,326	11.5%
Noncurrent Assets:							
Land	995,733	995,733	-	-	995,733	995,733	0.0%
Construction in Progress	5,733	-	-	-	5,733	-	0.0%
Buildings, Net	73,653,064	77,563,214	-	-	73,653,064	77,563,214	-5.0%
Furniture and Equipment, Net	2,729,414	2,000,352	-	-	2,729,414	2,000,352	36.4%
Capital Leases, Net	115,587	61,433	-	-	115,587	61,433	88.2%
Total Noncurrent Assets	77,499,531	80,620,732	-	-	77,499,531	80,620,732	-3.9%
Total Assets	102,916,287	103,386,512	228,059	228,546	103,144,346	103,615,058	-0.5%
Deferred Outflows of Resources:							
Deferred Charge for Refunding	750,241	767,641	-	-	750,241	767,641	-2.3%
Deferred Outflow Related to TRS Pensions	4,586,222	5,711,533	-	-	4,586,222	5,711,533	-19.7%
Deferred Outflow Related to TRS OPEB	2,466,196	2,252,064	-	-	2,466,196	2,252,064	9.5%
Total Deferred Outflows of Resources	7,802,659	8,731,238	-	-	7,802,659	8,731,238	-10.6%
Current Liabilities:							
Accounts Payable	1,220,528	547,432	-	5	1,220,528	547,437	123.0%
Interest Payable	110,747	123,973	-	-	110,747	123,973	-10.7%
Accrued Liabilities	163,703	198,723	-	6,451	163,703	205,174	-20.2%
Due to Other Governments	1,157,892	166,545	-	-	1,157,892	166,545	595.2%
Due to Student Groups	-	14,910	-	-	-	14,910	-100.0%
Unearned Revenue	45,185	17,518	-	-	45,185	17,518	157.9%
Total Current Liabilities	2,698,055	1,069,101	-	6,456	2,698,055	1,075,557	150.9%
Non-current Liabilities:							
Due Within One Year	4,556,254	5,227,348	-	-	4,556,254	5,227,348	-12.8%
Due in More Than One Year	58,090,425	62,261,298	-	-	58,090,425	62,261,298	-6.7%
Net Pension Liability (District's Share)	9,206,147	10,352,593	-	-	9,206,147	10,352,593	-11.1%
Net OPEB Liability (District's Share)	12,650,339	14,238,832	-	-	12,650,339	14,238,832	-11.2%
Total Liabilities	87,201,220	93,149,172	-	6,456	87,201,220	93,155,628	-6.4%
Deferred Inflows of Resources:							
Deferred Inflow Related to TRS Pensions	1,954,041	698,322	-	-	1,954,041	698,322	179.8%
Deferred Inflow Related to TRS OPEB	6,450,842	4,502,662	-	-	6,450,842	4,502,662	43.3%
Total Deferred Inflows of Resources	8,404,883	5,200,984	-	-	8,404,883	5,200,984	61.6%
Net Position:							
Net Investment in Capital Assets	16,852,733	14,706,178	-	-	16,852,733	14,706,178	14.6%
Restricted For:							
Federal and State Programs	824,981	1,074,853	-	-	824,981	1,074,853	-23.2%
Debt Service	1,222,799	2,101,401	-	-	1,222,799	2,101,401	-41.8%
Unrestricted	(3,787,670)	(4,114,838)	228,059	222,090	(3,559,611)	(3,892,748)	-8.6%
Total Net Position	15,112,843	13,767,594	228,059	222,090	15,340,902	13,989,684	9.7%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position

The District's combined net position was \$15,340,902 at August 31, 2020. (See Table A-1.)

Changes in net position

The District's total governmental revenues were \$53,803,362. A significant portion, 70%, of the District's revenue comes from taxes. 12% comes from state aid, while 1% relates to charges for services.

The total cost of all governmental programs and services was \$52,458,119.

Table A-2
Changes in Tuloso-Midway Independent School District's Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2020-2019
	2020	2019	2020	2019	2020	2019	
Program Revenues:							
Charges for Services	921,983	1,389,279	164,243	280,051	1,086,226	1,669,330	-34.93%
Operating Grants and Contributions	7,584,575	7,715,549	3,405	-	7,587,980	7,715,549	-1.65%
General Revenues:							
Property Taxes	37,742,785	39,204,926	-	-	37,742,785	39,204,926	-3.73%
State Aid - Formula	6,784,537	5,665,930	-	-	6,784,537	5,665,930	19.74%
Investment Earnings	303,115	463,717	-	-	303,115	463,717	-34.63%
Other	466,367	4,227,057	-	-	466,367	4,227,057	-88.97%
Total Revenues	53,803,362	58,666,458	167,648	280,051	53,988,205	58,946,509	-8.41%
Expenses:							
Instruction	27,485,778	26,059,963	-	-	27,485,778	26,059,963	5.47%
Instruc. Res. and Media Serv.	512,512	485,892	-	-	512,512	485,892	5.48%
Curricu. Dev. & Instr. Staff Dev.	210,391	222,366	-	-	210,391	222,366	-5.39%
Instructional Leadership	778,551	691,986	-	-	778,551	691,986	12.51%
School Leadership	2,618,094	2,342,140	-	-	2,618,094	2,342,140	11.78%
Guid., Couns. and Eval. Svcs	1,847,006	1,818,405	-	-	1,847,006	1,818,405	1.57%
Social Work Services	18,652	18,223	-	-	18,652	18,223	2.35%
Health Services	510,245	434,843	-	-	510,245	434,843	17.39%
Student (Pupil) Transportation	1,177,069	1,252,805	-	-	1,177,069	1,252,805	-6.05%
Food Services	2,332,591	2,812,975	-	-	2,332,591	2,812,975	-17.08%
Curricular/Extracurr. Activities	2,365,258	2,828,696	-	-	2,365,258	2,828,696	-16.38%
General Administration	1,906,315	1,795,717	-	-	1,906,315	1,795,717	6.16%
Plant Maintenance & Oper.	7,023,950	5,728,280	-	-	7,023,950	5,728,280	22.62%
Security & Monitoring Services	272,408	310,480	-	-	272,408	310,480	-12.26%
Data Processing Services	542,762	519,759	-	-	542,762	519,759	4.43%
Community Services	20,143	22,616	-	-	20,143	22,616	-10.93%
Debt Service	1,878,919	2,026,008	-	-	1,878,919	2,026,008	-7.26%
TMPM After School Care	-	-	-	249,999	-	249,999	-100.00%
Contracted Instruct. Services	448,895	808,662	-	-	448,895	808,662	-44.49%
Payments to Juvenile Justice	38,002	36,331	-	-	38,002	36,331	4.60%
Other Intergovernmental	437,547	438,388	161,679	-	599,226	438,388	36.69%
Other Financing Uses	33,031	-	-	-	33,031	-	0.00%
Total Expenses	52,458,119	50,654,335	161,679	249,999	52,619,798	50,904,334	3.37%
Increase (Dec.) in Net Position	1,345,243	8,012,123	5,969	30,052	1,351,212	8,042,175	-83.20%
Net Position Beginning	13,767,600	6,956,907	222,090	192,038	13,989,690	7,148,945	95.69%
Prior Period Adjustment	-	(1,201,436)	-	-	-	(1,201,436)	-100.00%
Net Position Ending	15,112,843	13,767,594	228,059	222,090	15,340,902	13,989,684	9.66%

- The cost of all *governmental* activities this year was \$52,458,119.
- However, the amount that our taxpayers paid for these activities through property taxes was \$37,742,785.
- Some of the cost was paid by those who directly benefited from the programs, \$921,983 or
- By grants and contributions \$7,584,575.

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 was funded by state revenues as well as local tax dollars.

Table A-3
Net Cost of Selected Tuloos-Midway Independent School District Functions

	Total Cost of Services			Net Cost of Services		
	2020	2019	% Change	2020	2019	% Change
Instruction	27,485,778	26,059,963	5.47%	23,183,540	21,894,667	5.89%
School Administration	1,906,315	1,795,717	6.16%	1,787,405	1,688,406	5.86%
Plant Maintenance & Operations	7,023,950	5,728,280	22.62%	6,639,230	5,329,362	24.58%
Debt Service - Interest & Fiscal Charges	1,878,919	2,026,008	-7.26%	1,838,270	1,981,333	-7.22%

Business-type Activities

Revenues of the District's business-type activities decreased \$112,403 and expenses decreased \$88,320 from the preceding year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$51,204,536, a decrease of 8% from the preceding year.

General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees reviewed the District budget and made budget amendments. Even with these adjustments, actual expenditures were \$2,706,457 below final budget amounts. The most significant favorable variance in expenditures was for Instruction and plant maintenance and operations.

Resources available were \$10,723 below the final budgeted amount.

(continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019-20, the District had invested \$132,944,956 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 \$1,026,153 or 1% from last year.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2020	2019	2020	2019	2020	2019	2020-2019
Land	995,732	995,733	-	-	995,732	995,733	0.00%
Construction in Progress	5,733	-	-	-	5,733	-	0.00%
Buildings and Improvements	122,196,213	122,142,406	-	-	122,196,213	122,142,406	0.04%
Vehicles	3,727,579	3,378,725	-	-	3,727,579	3,378,725	10.33%
Equipment	5,692,851	5,155,582	-	-	5,692,851	5,155,582	10.42%
Capital Leases	326,848	246,357	-	-	326,848	246,357	32.67%
Totals at Historical Cost	132,944,956	131,918,803	-	-	132,944,956	131,918,803	0.78%
Total Accumulated Depreciation	(55,445,426)	51,298,070	-	-	(55,445,426)	51,298,070	-208.08%
Net Capital Assets	77,499,530	80,620,733	-	-	77,499,530	80,620,733	-3.87%

Long-Term Obligations

More detailed information about the District's obligations is presented in the notes to the financial statements.

(continued)

The District had the following obligations at August 31, 2020:

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2020-2019
	2020	2019	2020	2019	2020	2019	
Bonds Payable	56,881,351	61,697,367	-	-	56,881,351	61,697,367	-7.81%
Bond Premium	5,276,680	5,664,915	-	-	5,276,680	5,664,915	-6.85%
Sub-Total	62,158,031	67,362,282	-	-	62,158,031	67,362,282	-7.73%
Capital Leases	376,254	-	-	-	376,254	-	0.00%
Compensated Absences	112,395	126,364	-	-	112,395	126,364	-11.05%
Net Pension Liability	9,206,147	10,352,593	-	-	9,206,147	10,352,593	-11.07%
Net OPEB Liability	12,650,339	14,238,832	-	-	12,650,339	14,238,832	-11.16%
Total Long-Term Obligations	84,503,166	92,080,071	-	-	84,503,166	92,080,071	-8.23%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2019 State Legislative session significantly changed education funding calculations for fiscal year 2019-2020 and 2020-2021.

In developing the 2020-2021 budget the effects of the following factors were again taken into consideration as they were for 2019-2020:

- Tax rate compression – eliminated the results of the tax ratification election (TRE) passed by the District's voters in September 2010. The M&O tax rate for 2019-2020 was compressed from the maximum \$1.17 to \$1.06835. The M&O tax rate for 2020-2021 was compressed again to \$1.0304 as property values for the District increased at a higher rate than the state average. Before a District can seek voter approval to raise M&O rates above state calculated maximums an efficiency audit must be completed and posted on the District's website at least 30 days before the election.
- Increase in the Basic Allotment from \$5,140 to \$6,160.
- New Early Education Allotment with a 0.10 weight per ADA for each student in grades K-3 who is educationally disadvantaged or Limited English Proficient (LEP) to support implementing early literacy and mathematics proficiency plans that lead to improved third grade proficiency.
- Full day Pre-K for all eligible 4 year olds – TMISD added four additional Pre-K teachers and para-professionals each for 2019-2020.
- New Dyslexia Allotment with a 0.10 weight per ADA for each student that has been identified as having Dyslexia or a related disorder.
- Career and Technology (CTE) funding expansion with addition of Technology Application to funding weight and extending CTE and Tech Apps courses offered down to Grade 7.
- College, Career and Military Readiness (CCMR) – established CCMR Outcomes Bonuses paid for each annual graduate above a certain threshold percentage.
- Additional Special Education weight from 1.1 to 1.15 for students served in a mainstream setting.
- New Compensatory Education Spectrum – Increased State Comp Ed funding from 0.20 to a range of 0.225 -0.275 per student based on the census block group of the student's home address. The majority of TMISD's educationally/economically disadvantaged

students are located in Tier 4 of the funding spectrum (0.2625). Only Tier 5 census block tracks have a lower socio-economic population/rating.

- Repeal of the Cost of Education Index
- Repeal of the High School Allotment
- Switch to utilizing current year property values (vs. prior tax year property values) for the local share calculation.
- Removal of the Gifted & Talented (GT) Allotments as a discrete, stand-alone Tier One Allotment with reallocation into the basic allotment. Districts are still required to provide GT programs.
- Amended statute for transportation from linear density to a simple \$1.00 per mile reimbursement.
- Recapture now based on local revenue in excess of entitlement instead of on a wealth per WADA basis.

Property Values

The 2020-2021 property values have increased \$222.1 million (7.0% increase) for M&O values and \$222.1 million (6.0% increase) for I&S values.

Recapture

Recapture for the 2019-2020 fiscal year was originally projected to be \$447,301. The near final about is \$446,182. Projected recapture for 2020-2021 is \$544,663.

Enrollment

October 2020 snapshot enrollment is 3,837, a decrease of 89 students or 2.3%. This decrease is considered to be primarily COVID-19 related.

Chapter 313 Partner

The manufacturing corporation M&G Resins USA, LLC has been purchased by Corpus Christi Polymers, LLC. The facility continues to be under construction and is tentatively scheduled for completion in 2023. The 2020 tax values for this property were identical to the previous two years, therefore there is no hold harmless payment due to the District during 2020-2021.

Employee Compensation

Due to the uncertainty of COVID-19 the only raises for 2020-2021 is a step increase for all teachers/counselors/librarians/RNs. A retention incentive of \$1,000 is budgeted for all full-time employees.

Debt Service Fund

The fund balance for the Debt Service Fund as of August 31, 2020 is \$1.1 million slightly off from the original estimate of \$1.2 million. This was primarily due to the withholding of tax payments to the District from its largest taxpayer, Flint Hills Resources, for tax value protests. For fiscal year 2020-2021 the I&S tax rate is virtually unchanged at \$0.14509. For 2020-2021 the Debt Service Fund is projected to have revenues in excess of expenditures of approximately \$75,000.

Food Service Fund

Fiscal year 2019-2020 was the second year the District participated in the Community Eligibility Program (CEP) as part of the National School Lunch/Breakfast Program. All students eat for free and the District is reimbursed for 96% of eligible reimbursed meals served. The current CEP application expires at the end of fiscal year 2021-2022. The Food Service Fund Balance is still in excess of three months of operating expenditures. The District has capital improvement and equipment replacements scheduled to expend this excess fund balance.

Due to COVID-19 and remote instruction food service revenues are decreased significantly. The District has offered evening meals, weekend meals and added breakfast in the classroom at the high school level to increase participation and also to ensure that all children, even if receiving remote instruction at home, have access to these programs.

COVID-19 and 2020-2021 Budgets

The District closed down in March 2020 due to COVID-19 and shortly thereafter provided remote learning instruction to all students for the remainder of the 2019-2020 school year. As a year round district TMISD normally starts each new school year in mid-July but due to COVID-19 TMISD started the 2020-2021 school year during the first week of August with remote only instruction. Beginning with the second grading period TMISD began offering both remote and in-person instruction.

There were significant savings from offering only remote instruction for the second half of the Spring 2020 semester and having virtually all extra-curricular events cancelled. The Board of Trustees approved a resolution to grant the Superintendent or their designee the authority to continue paying all full time employees during closure or non-working periods due the lack of students being physically on campus (bus drivers, campus clerical personnel, nurses, etc.). Instruction packets were provided to all students who did not have internet connectivity during Spring 2020.

Beginning in May 2020 the District began ordering individual student devices (laptops/chrome books, etc.) and mobile hotspots for all students to have access to remote instruction from home. The District adopted an original balanced budget for 2020-2021 but have a current \$853,462 deficit due to remote instruction equipment, HVAC unit replacement projects, E-Rate infrastructure projects and band uniforms ordered/committed but not received or completed before the end of FY 2020 but will be finalized and paid for during FY 2021. The District is adding approximately \$1.05 million to the General Fund balance for FY 2020, which would have been offset by the \$853,462 budget carryforward.

The District received personal protective equipment (PPE) and sanitizing supplies in bulk from the Texas Education Agency and also purchased these items from redirected budgets during the second half of FY 2020. The District has applied for Coronavirus Relief Funds (CRF) through the Texas Department of Emergency Management (TDEM) for allowable costs incurred March 1, 2020 through May 20, 2020.

The District ordered 400 hotspots through the Operation Connectivity Bulk Purchase Program and in conjunction with the Local Match Reimbursement Program will incur \$-0- out of pocket expense. The District is awaiting the guidelines and requirements to apply for Operation Connectivity Prior Purchase Program to allow the District to be reimbursed for remote learning expenditures incurred after May 20, 2020 through a set date. The majority of the District's remote learning purchases occurred during this time.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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 about this report or need additional financial information, contact the Business Office, Tulosos-Midway Independent School District at (361) 903-6400.

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Basic Financial Statements

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TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION**

AUGUST 31, 2020

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 21,150,198	\$ 228,059	\$ 21,378,257
1225 <i>Property Taxes Receivable (Net)</i>	1,868,657	--	1,868,657
1240 <i>Due from Other Governments</i>	1,686,834	--	1,686,834
1300 <i>Inventories</i>	97,682	--	97,682
1410 <i>Unrealized Expenses</i>	613,385	--	613,385
Capital Assets:			
1510 <i>Land</i>	995,733	--	995,733
1520 <i>Buildings and Improvements, Net</i>	73,653,064	--	73,653,064
1530 <i>Furniture and Equipment, Net</i>	2,729,414	--	2,729,414
1550 <i>Capital Lease Assets, Net</i>	115,587	--	115,587
1580 <i>Construction in Progress</i>	5,733	--	5,733
1000 Total Assets	<u>102,916,287</u>	<u>228,059</u>	<u>103,144,346</u>
DEFERRED OUTFLOWS OF RESOURCES:			
1701 <i>Deferred Charge for Refunding</i>	750,241	--	750,241
1705 <i>Deferred Outflow Related to Pensions</i>	4,586,222	--	4,586,222
1706 <i>Deferred Outflow Related to OPEB</i>	2,466,196	--	2,466,196
1700 Total Deferred Outflows of Resources	<u>7,802,659</u>	<u>--</u>	<u>7,802,659</u>
LIABILITIES:			
2110 <i>Accounts Payable</i>	1,220,528	--	1,220,528
2140 <i>Interest Payable</i>	110,747	--	110,747
2165 <i>Accrued Liabilities</i>	163,703	--	163,703
2180 <i>Due to Other Governments</i>	1,157,892	--	1,157,892
2300 <i>Unearned Revenue</i>	45,185	--	45,185
Noncurrent Liabilities:			
2501 <i>Due Within One Year</i>	4,556,254	--	4,556,254
2502 <i>Due in More Than One Year</i>	58,090,425	--	58,090,425
2540 <i>Net Pension Liability</i>	9,206,147	--	9,206,147
2545 <i>Net OPEB Liability</i>	12,650,339	--	12,650,339
2000 Total Liabilities	<u>87,201,220</u>	<u>--</u>	<u>87,201,220</u>
DEFERRED INFLOWS OF RESOURCES:			
2605 <i>Deferred Inflow Related to Pensions</i>	1,954,041	--	1,954,041
2606 <i>Deferred Inflow Related to OPEB</i>	6,450,842	--	6,450,842
2600 Total Deferred Inflows of Resources	<u>8,404,883</u>	<u>--</u>	<u>8,404,883</u>
NET POSITION:			
3200 Net Investment in Capital Assets	16,852,733		16,852,733
Restricted For:			
3820 <i>Federal and State Programs</i>	824,981		824,981
3850 <i>Debt Service</i>	1,222,799	--	1,222,799
3900 <i>Unrestricted</i>	(3,787,670)	228,059	(3,559,611)
3000 Total Net Position	<u>\$ 15,112,843</u>	<u>\$ 228,059</u>	<u>\$ 15,340,902</u>

The accompanying notes are an integral part of this statement.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Functions/Programs	Expenses	Program Revenues	
			Charges for Services	Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 27,485,778	\$ 589,022	\$ 3,713,216
12	Instructional Resources and Media Services	512,512	--	37,269
13	Curriculum and Staff Development	210,391	--	150,161
21	Instructional Leadership	778,551	--	196,102
23	School Leadership	2,618,094	--	204,444
31	Guidance, Counseling, & Evaluation Services	1,847,006	--	277,934
32	Social Work Services	18,652	--	--
33	Health Services	510,245	--	41,115
34	Student Transportation	1,177,069	--	78,913
35	Food Service	2,332,591	227,720	2,185,693
36	Cocurricular/Extracurricular Activities	2,365,258	99,952	75,116
41	General Administration	1,906,315	--	118,910
51	Facilities Maintenance and Operations	7,023,950	5,289	379,449
52	Security and Monitoring Services	272,408	--	13,587
53	Data Processing Services	542,762	--	45,224
61	Community Services	20,143	--	14,497
72	Interest on Long-term Debt	1,872,669	--	40,649
73	Bond Issuance Costs and Fees	6,250	--	--
91	Contracted Instructional Services between Schools	448,895	--	12,296
95	Payments to Juvenile Justice Alternative Ed. Programs	38,002	--	--
99	Other Intergovernmental Charges	437,547	--	--
8910	OTHER FINANCING USES	33,031	--	--
TG	Total Governmental Activities	<u>52,458,119</u>	<u>921,983</u>	<u>7,584,575</u>
	Business-type Activities:			
01	After School Care	161,679	164,243	3,405
TB	Total Business-type Activities	<u>161,679</u>	<u>164,243</u>	<u>3,405</u>
TP	Total Primary Government	<u>\$ 52,619,798</u>	<u>\$ 1,086,226</u>	<u>\$ 7,587,980</u>
	General Revenues:			
MT	Property Taxes, Levied for General Purposes			
DT	Property Taxes, Levied for Debt Service			
	Chapter 313 Payments			
IE	Investment Earnings			
GC	Grants and Contributions Not Restricted to Specific Programs			
MI	Miscellaneous			
	Other Resources			
TR	Total General Revenues and Transfers			
CN	Change in Net Position			
NB	Net Position - Beginning			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (23,183,540)		\$ (23,183,540)
(475,243)		(475,243)
(60,230)		(60,230)
(582,449)		(582,449)
(2,413,650)		(2,413,650)
(1,569,072)		(1,569,072)
(18,652)		(18,652)
(469,130)		(469,130)
(1,098,156)		(1,098,156)
80,822		80,822
(2,190,190)		(2,190,190)
(1,787,405)		(1,787,405)
(6,639,212)		(6,639,212)
(258,821)		(258,821)
(497,538)		(497,538)
(5,646)		(5,646)
(1,832,020)		(1,832,020)
(6,250)		(6,250)
(436,599)		(436,599)
(38,002)		(38,002)
(437,547)		(437,547)
(33,031)		(33,031)
<u>(43,951,561)</u>		<u>(43,951,561)</u>
<u>--</u>	\$ <u>5,969</u>	<u>5,969</u>
<u>--</u>	<u>5,969</u>	<u>5,969</u>
<u>(43,951,561)</u>	<u>5,969</u>	<u>(43,945,592)</u>
32,575,579	--	32,575,579
5,167,207	--	5,167,207
366,892	--	366,892
303,115	--	303,115
6,784,537	--	6,784,537
97,548	--	97,548
1,927	--	1,927
<u>45,296,804</u>	<u>--</u>	<u>45,296,804</u>
1,345,243	5,969	1,351,212
13,767,600	222,090	13,989,690
<u>\$ 15,112,843</u>	<u>\$ 228,059</u>	<u>\$ 15,340,902</u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 Cash and Cash Equivalents	\$ 17,230,409	\$ 1,101,544	\$ 1,853,653	\$ 20,185,606
1225 Taxes Receivable, Net	1,622,188	246,469	--	1,868,657
1240 Due from Other Governments	531,750	155	1,154,929	1,686,834
1260 Due from Other Funds	530,354	--	--	530,354
1300 Inventories	81,029	--	16,653	97,682
1410 Unrealized Expenditures	613,385	--	--	613,385
1000 Total Assets	<u>20,609,115</u>	<u>1,348,168</u>	<u>3,025,235</u>	<u>24,982,518</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ 762,027	\$ 150	\$ 342,071	\$ 1,104,248
2150 Payroll Deductions & Withholdings	154	--	--	154
2160 Accrued Wages Payable	145,199	--	--	145,199
2170 Due to Other Funds	--	--	530,354	530,354
2180 Due to Other Governments	1,143,420	14,472	--	1,157,892
2200 Accrued Expenditures	13,771	--	4,579	18,350
2300 Unearned Revenue	--	--	45,185	45,185
2000 Total Liabilities	<u>2,064,571</u>	<u>14,622</u>	<u>922,189</u>	<u>3,001,382</u>
DEFERRED INFLOWS OF RESOURCES:				
2601 Unavailable Revenue - Property Taxes	1,622,189	246,469	--	1,868,658
2600 Total Deferred Inflows of Resources	<u>1,622,189</u>	<u>246,469</u>	<u>--</u>	<u>1,868,658</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410 Inventories	81,029	--	16,653	97,682
3430 Prepaid Items	613,385	--	--	613,385
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	808,328	808,328
3480 Retirement of Long-Term Debt	--	1,087,077	--	1,087,077
3490 Other Restrictions of Fund Balance	--	--	760,993	760,993
Assigned Fund Balances:				
3570 Capital Expenditures for Equipment	598,946	--	--	598,946
3590 Other Assigned Fund Balance	3,254,516	--	517,072	3,771,588
3600 Unassigned	12,374,479	--	--	12,374,479
3000 Total Fund Balances	<u>16,922,355</u>	<u>1,087,077</u>	<u>2,103,046</u>	<u>20,112,478</u>
4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 20,609,115</u>	<u>\$ 1,348,168</u>	<u>\$ 3,025,235</u>	<u>\$ 24,982,518</u>

The accompanying notes are an integral part of this statement.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2020

Total fund balances - governmental funds balance sheet \$ 20,112,478

Amounts reported for governmental activities in the Statement of Net Position
("SNP") are different because:

Capital assets used in governmental activities are not reported in the funds.	77,499,531
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,868,658
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	848,312
Payables for bond principal which are not due in the current period are not reported in the funds.	(56,881,351)
Payables for capital leases which are not due in the current period are not reported in the funds.	(376,253)
Payables for bond interest which are not due in the current period are not reported in the funds.	(110,747)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(112,395)
Deferred charge for refundings expended in the funds, but is amortized in the statement of net position.	750,241
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(9,206,147)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,954,041)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	4,586,222
Bond premiums are amortized in the SNA but not in the funds.	(5,276,680)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(12,650,339)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(6,450,842)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>2,466,196</u>

Net position of governmental activities - Statement of Net Position \$ 15,112,843

The accompanying notes are an integral part of this statement.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 32,404,879	\$ 5,090,216	\$ 823,441	\$ 38,318,536
5800 <i>State Program Revenues</i>	7,390,265	40,649	225,061	7,655,975
5900 <i>Federal Program Revenues</i>	907,075	--	4,322,950	5,230,025
5020 <i>Total Revenues</i>	<u>40,702,219</u>	<u>5,130,865</u>	<u>5,371,452</u>	<u>51,204,536</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	21,546,625	--	1,845,787	23,392,412
0012 <i>Instructional Resources and Media Services</i>	424,560	--	--	424,560
0013 <i>Curriculum and Staff Development</i>	54,830	--	148,926	203,756
0021 <i>Instructional Leadership</i>	469,076	--	157,523	626,599
0023 <i>School Leadership</i>	2,214,486	--	6,938	2,221,424
0031 <i>Guidance, Counseling, & Evaluation Services</i>	1,365,361	--	166,366	1,531,727
0032 <i>Social Work Services</i>	1,000	--	--	1,000
0033 <i>Health Services</i>	442,191	--	--	442,191
0034 <i>Student Transportation</i>	1,188,438	--	--	1,188,438
0035 <i>Food Service</i>	--	--	2,673,756	2,673,756
0036 <i>Cocurricular/Extracurricular Activities</i>	1,426,708	--	592,996	2,019,704
0041 <i>General Administration</i>	1,667,125	--	--	1,667,125
0051 <i>Facilities Maintenance and Operations</i>	5,361,535	--	993,891	6,355,426
0052 <i>Security and Monitoring Services</i>	251,414	--	--	251,414
0053 <i>Data Processing Services</i>	663,380	--	--	663,380
0061 <i>Community Services</i>	--	--	14,512	14,512
0071 <i>Principal on Long-term Debt</i>	702,243	4,125,000	--	4,827,243
0072 <i>Interest on Long-term Debt</i>	244,761	2,011,969	--	2,256,730
0073 <i>Bond Issuance Costs and Fees</i>	400	5,850	--	6,250
0081 <i>Capital Outlay</i>	55,858	--	3,682	59,540
0091 <i>Contracted Instructional Services</i>				
0091 <i>Between Public Schools</i>	448,895	--	--	448,895
0095 <i>Payments to Juvenile Justice Alternative</i>				
0095 <i>Education Programs</i>	38,002	--	--	38,002
0099 <i>Other Intergovernmental Charges</i>	437,547	--	--	437,547
6030 <i>Total Expenditures</i>	<u>39,004,435</u>	<u>6,142,819</u>	<u>6,604,377</u>	<u>51,751,631</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	<u>1,697,784</u>	<u>(1,011,954)</u>	<u>(1,232,925)</u>	<u>(547,095)</u>
Other Financing Sources and (Uses):				
7912 <i>Sale of Real or Personal Property</i>	677	--	1,250	1,927
7913 <i>Issuance of Capital Leases</i>	387,480	--	--	387,480
7915 <i>Transfers In</i>	--	--	1,157,788	1,157,788
8911 <i>Transfers Out</i>	(1,000,000)	--	(157,788)	(1,157,788)
8949 <i>Other Uses</i>	(33,031)	--	--	(33,031)
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>(644,874)</u>	<u>--</u>	<u>1,001,249</u>	<u>356,375</u>
1200 <i>Net Change in Fund Balances</i>	<u>1,052,910</u>	<u>(1,011,954)</u>	<u>(231,676)</u>	<u>(190,720)</u>
0100 <i>Fund Balances - Beginning</i>	15,869,445	2,099,031	2,334,722	20,303,198
3000 <i>Fund Balances - Ending</i>	<u>\$ 16,922,355</u>	<u>\$ 1,087,077</u>	<u>\$ 2,103,046</u>	<u>\$ 20,112,478</u>

The accompanying notes are an integral part of this statement.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

Net change in fund balances - total governmental funds	\$ (190,720)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,325,034
The depreciation of capital assets used in governmental activities is not reported in the funds.	(4,446,236)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	1,113,790
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,816,016
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	11,227
(Increase) decrease in accrued interest from beginning of period to end of period.	13,226
The net revenue (expense) of internal service funds is reported with governmental activities.	85,722
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	13,969
Amortization of bond premium and deferred amount is an expense in the SOA but not in the funds.	370,835
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(387,480)
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(1,234,584)
The District's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	(145,555)
Change in net position of governmental activities - Statement of Activities	\$ <u>1,345,243</u>

The accompanying notes are an integral part of this statement.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION****PROPRIETARY FUNDS****AUGUST 31, 2020**

Data Control Codes		Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
		After School Care	Insurance Fund
ASSETS:			
Current Assets:			
1110	Cash and Cash Equivalents	\$ 228,059	\$ 964,592
	Total Current Assets	228,059	964,592
1000	Total Assets	228,059	964,592
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$ --	\$ 116,280
	Total Current Liabilities	--	116,280
2000	Total Liabilities	--	116,280
NET POSITION:			
3900	Unrestricted	228,059	848,312
3000	Total Net Position	\$ 228,059	\$ 848,312

The accompanying notes 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, 2020

Data Control Codes		Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
		After School Care	Insurance Fund
OPERATING REVENUES:			
5700	Local and Intermediate Sources	\$ 164,243	\$ 278,058
5800	State Program Revenues	3,405	--
5020	Total Revenues	<u>167,648</u>	<u>278,058</u>
OPERATING EXPENSES:			
6100	Payroll Costs	155,936	--
6200	Professional and Contracted Services	332	54,943
6300	Supplies and Materials	2,885	--
6400	Other Operating Costs	<u>2,526</u>	<u>137,393</u>
6030	Total Expenses	<u>161,679</u>	<u>192,336</u>
1300	Change in Net Position	5,969	85,722
0100	Total Net Position - Beginning	222,090	762,590
3300	Total Net Position - Ending	<u>\$ 228,059</u>	<u>\$ 848,312</u>

The accompanying notes are an integral part of this statement.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS****FOR THE YEAR ENDED AUGUST 31, 2020**

	<u>Enterprise Funds</u>	
	<u>After School Care</u>	<u>Internal Service Funds</u>
Cash Flows from Operating Activities:		
<i>Cash Received from Customers</i>	\$ 164,243	\$ --
<i>Cash Received from Grants</i>	3,405	--
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	--	278,058
<i>Cash Payments to Employees for Services</i>	(162,387)	--
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(5,046)	(162,635)
Net Cash Provided (Used) by Operating Activities	<u>215</u>	<u>115,423</u>
Net Increase (Decrease) in Cash and Cash Equivalents	215	115,423
Cash and Cash Equivalents at Beginning of Year	227,844	849,168
Cash and Cash Equivalents at End of Year	<u>\$ 228,059</u>	<u>\$ 964,591</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 5,969	\$ 85,722
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
<i>Depreciation</i>	--	--
Change in Assets and Liabilities:		
<i>Decrease (Increase) in Prepaid Expenses</i>	702	--
<i>Increase (Decrease) in Accounts Payable</i>	(5)	29,701
<i>Increase (Decrease) in Accrued Wages Payable</i>	(6,451)	--
Total Adjustments	<u>(5,754)</u>	<u>29,701</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 215</u>	<u>\$ 115,423</u>

The accompanying notes are an integral part of this statement.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2020

Data Control Codes	Agency Fund
	Student Activity
ASSETS:	
1110 <i>Cash and Cash Equivalents</i>	\$ 136,219
1000 Total Assets	<u>136,219</u>
LIABILITIES:	
Current Liabilities:	
2190 <i>Due to Student Groups</i>	\$ 136,219
2000 Total Liabilities	<u>136,219</u>
NET POSITION:	
3000 Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

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TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

A. Summary of Significant Accounting Policies

The basic financial statements of Tulo-so-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, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by 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 and there are no component units included within the District's 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 nonexchange 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 expenses 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 nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange 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: This fund is used to account for the District's debt service property tax revenue and

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

related debt service expenditures for bonded debt.

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.

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. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims 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 the District's policy to use restricted resources first, then unrestricted resources.

3. **Financial Statement Amounts**

a. **Cash and Cash Equivalents**

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

b. **Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all 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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

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. Uncollectible 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.

c. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. 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.

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

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

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

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary Statements of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. 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.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

Except for delinquent taxes, there are no significant receivables which are not scheduled for collection within one year of year end.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund 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 interfund 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, interfund 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 ensure accuracy in building a statewide database for policy development and funding plans.

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

k. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

l. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. Pensions

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

At August 31, 2020, the District reported the following:

Net Pension Asset	\$	--
Net Pension Liability	\$	9,206,147

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 92, Omnibus 2020

Although the effective date for the majority of GASB Statement No. 92, Omnibus 2020 has been postponed by GASB Statement No. 95 for one year, the District has adopted paragraph 11 of Statement 92 with respect to reinsurance recoveries. Paragraph 11 states that "amounts that (a) are recoverable from reinsurers or excess

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

insurers and (b) relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be. The District has also adopted paragraph 13 of Statement 92 in regards to changing all uses of the terms *derivative* and *derivatives* in existing standards to *derivative instrument* and *derivative instruments*, respectively. The provisions in paragraphs 11 and 13 were excluded from the scope of Statement 95 because paragraph 11 retains the reporting option, and thus only clarifies that an option exists, and paragraph 13 imposes no burden on the District. As such, this statement does not impact the District.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84*, and a Supersession of GASB Statement No. 32.

The District has adopted paragraphs 4 and 5 of GASB Statement No. 92. Paragraph 4 states that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (For example, certain Section 457 plans), if the primary government performs the duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. Paragraph 5 states that the financial burden criterion in paragraph 7 of Statement 84 is applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. The requirements in paragraphs 6 - 9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

7. Future Implementation of New Standards

In order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* is currently in effect to postpone the effective dates of certain provisions in Statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

The effective dates for the following pronouncements are postponed by one year:

Statement No. 84, *Fiduciary Activities*

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Statement No. 90, *Majority Equity Interests*

Statement No. 91, *Conduit Debt Obligations*

Statement No. 92, *Omnibus 2020*

Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates for the following pronouncements are postponed by 18 months:

Statement No. 87, *Leases*

B. 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-

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

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

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

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

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

C. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Texas Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged 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, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,489,684 and the bank balance was \$2,085,898. The District's cash deposits at August 31, 2020 and during the year ended August 31, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

As of August 31, 2020 the District had the following investments and maturities:

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

Investment Type	Investment Maturities (In Years)			
	Fair Value	Less than 1	1 to 2	2 to 3
Investment Pools:				
Investment in TexPool	\$ 207,188	\$ 207,188	--	\$ --
Investment in Lone Star Pool	16,716,129	16,716,129	--	--
Investment in LOGIC	1,881,763	1,881,763	--	--
Investment in Texas Class	1,219,712	1,219,712	--	--
Total Fair Value	<u>\$ 20,024,792</u>	<u>\$ 20,024,792</u>	<u>--</u>	<u>\$ --</u>

Interest Rate Risk - In accordance with state law and District policy, the District does not purchase any investments with maturities greater than 10 years.

Credit Risk - In accordance with state law and the District's investment policy investments in mutual funds, and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The District's investments in investment pools were rated AAA.

Concentration of Credit Risk - The District does not place a limit on the amount the District may invest in any one issuer. The District does not have a concentration of credit risk.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a custodial credit risk.

The local government investment pools such as TexPool and Lone Star Pool are not evidenced by securities in physical form. They are managed conservatively to provide safe, efficient and liquid investments to Texas governmental entities. The pools both seek to maintain a \$1 value per share as required by the Texas Public Funds Investment Act.

Federated Investors manages the assets, provides participant services, and arranges for all custody and other functions in support of TexPool operations under a contract with the State Comptroller of Public Accounts. The state comptroller maintains oversight responsibility for TexPool, including the ability to influence operations, designation of management and accountability for fiscal matters. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the District's position in TexPool is the same as the value of TexPool shares.

Lone Star Investment Pool is administered by FIRST Public. The fair value of the funds in Lone Star is also the same as the value of Lone Star shares.

Texas Class is administered by Cutwater Investor Services Corporation. The fair value of the funds in Texas Class is also the same fair value as Texas Class shares.

LOGIC is co-administered by First Southwest Company and J.P Morgan Investment Management, Inc. The fair value of the funds in LOGIC is also the same fair value as LOGIC shares.

Limitations exist for withdrawals in this way: ACH (Automated Clearing House) withdrawals from Lone Star or TexPool are restricted to the account designated by the direct deposit form currently on record. The current authorized direct deposit form designates only the District Depository Bank as the entity to use for deposits or withdrawals by ACH. The Superintendent must authorize any new or replacement direct deposit form that would alter or replace the depository bank.

Limitations exist for wire transfers in this way: A Wire Transfer to or from Lone Star or TexPool requires two

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2020

signatures from authorized representatives in order to be processed.

D. Capital Assets

Capital asset activity for the year ended August 31, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 995,732	\$ --	\$ --	\$ 995,732
Construction in progress	--	5,733	--	5,733
Total capital assets not being depreciated	995,732	5,733	--	1,001,465
<i>Capital assets being depreciated:</i>				
Buildings and improvements	122,142,406	53,807	--	122,196,213
Equipment	5,155,582	836,149	298,880	5,692,851
Vehicles	3,378,725	348,854	--	3,727,579
Capital Leases	246,357	80,491	--	326,848
Total capital assets being depreciated	130,923,070	1,319,301	298,880	131,943,491
Less accumulated depreciation for:				
Buildings and improvements	(44,579,191)	(3,963,958)	--	(48,543,149)
Equipment	(4,462,476)	(248,422)	(298,880)	(4,412,018)
Vehicles	(2,071,479)	(207,519)	--	(2,278,998)
Capital Leases	(184,924)	(26,337)	--	(211,261)
Total accumulated depreciation	(51,298,070)	(4,446,236)	(298,880)	(55,445,426)
Total capital assets being depreciated, net	79,625,000	(3,126,935)	--	76,498,065
Governmental activities capital assets, net	\$ 80,620,732	\$ (3,121,202)	\$ --	\$ 77,499,530

Depreciation was charged to functions as follows:

Instruction	\$ 2,393,621
Instructional Resources and Media Services	55,054
Curriculum and Staff Development	2,685
Instructional Leadership	103,108
School Leadership	226,737
Guidance, Counseling, & Evaluation Services	187,240
Social Work Services	17,652
Health Services	28,069
Student Transportation	231,261
Food Services	290,231
Extracurricular Activities	260,786
General Administration	133,114
Plant Maintenance and Operations	502,688
Security and Monitoring Services	13,790
Data Processing Services	10
Community Services	190
	<u>\$ 4,446,236</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2020, consisted of the following:

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FOR THE YEAR ENDED AUGUST 31, 2020

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 530,354	Short-term loans
	Total	<u>\$ 530,354</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2020, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Other Governmental Funds	\$ 1,000,000	Reimburse expenditures
Other Governmental Funds	Other Governmental Funds	157,788	Supplement other funds sources
	Total	<u>\$ 1,157,788</u>	

F. Long-Term Obligations

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, 2020, are as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/19	Issued	Retired	Amounts Outstanding 8/31/20	Amounts Due Within One Year
Maintenance Tax Notes							
Series, 2008	4.38%	2,649,941	871,367	--	204,016	667,351	212,968
Unlimited Tax School Building & Refunding Bonds							
Series 2009	5.00%	5,638,700	275,000	--	170,000	105,000	105,000
Unlimited Tax School Building Bonds							
Series 2012	3.375%	9,530,000	6,810,000	--	435,000	6,375,000	450,000
Unlimited Tax School Building Bonds							
Series 2013	5.00%	15,300,000	6,695,000	--	635,000	6,060,000	660,000
Unlimited Tax School Building Bonds							
Series 2014	4.00%	9,380,000	7,940,000	--	430,000	7,510,000	440,000
Limited Tax Refunding Bonds							
Series 2014	2.31%	2,002,000	1,241,000	--	192,000	1,049,000	199,000

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

Unlimited Tax							
Refunding Bond 2.00% to							
Series 2014	4.00%	7,645,000	3,645,000	--	1,155,000	2,490,000	375,000
Unlimited Tax							
Refunding Bond 2.00% to							
Series 2015	4.00%	5,615,000	3,980,000	--	625,000	3,355,000	645,000
Unlimited Tax							
Refunding Bond 2.00% to							
Series 2016	5.00%	11,125,000	10,555,000	--	360,000	10,195,000	380,000
Maintenance Tax							
Notes 3.00% to							
Series, 2016	5.00%	5,310,000	4,530,000	--	295,000	4,235,000	305,000
Unlimited Tax							
Refunding Bond 2.00% to							
Series 2017	4.00%	7,810,000	7,110,000	--	290,000	6,820,000	300,000
Unlimited Tax							
Refunding Bond 3.00% to							
Series 2017-A	4.00%	8,220,000	8,045,000	--	25,000	8,020,000	25,000
			61,697,367	--	4,816,016	56,881,351	4,096,968
Capital Leases			--	387,481	11,227	376,254	71,051
Bond Premium			5,664,915	--	388,235	5,276,680	388,235
Net Pension Liability			10,352,593	(526,579)	619,867	9,206,147	--
Net OPEB Liability			14,238,832	(1,398,643)	189,850	12,650,339	--
Compensated Absences			126,364	--	13,969	112,395	--
Total governmental activities			\$ 92,080,071	\$ (1,537,741)	\$ 5,227,348	\$ 84,503,166	\$ 4,556,254

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2020, are as follows:

Year Ending August 31,	Governmental Activities					
	General Obligation Bonds			Maintenance Tax Debt		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 3,380,000	\$ 1,892,119	\$ 5,272,119	\$ 716,968	\$ 216,617	\$ 933,585
2022	3,495,000	1,773,831	5,268,831	748,313	190,394	938,707
2023	3,615,000	1,650,231	5,265,231	775,069	159,857	934,926
2024	3,755,000	1,521,044	5,276,044	565,000	128,038	693,038
2025	3,370,000	1,386,344	4,756,344	591,000	105,503	696,503
2026-2030	16,090,000	5,135,394	21,225,394	2,095,000	269,250	2,364,250
2031-2035	13,215,000	2,081,862	15,296,862	460,000	13,800	473,800
2065-2039	4,010,000	265,100	4,275,100	--	--	--
Totals	\$ 50,930,000	\$ 15,705,925	\$ 66,635,925	\$ 5,951,350	\$ 1,083,459	\$ 7,034,809

General obligation bonds are paid by the Debt Service Fund with the support of the General Fund. Maintenance Tax Notes

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

are paid by the General Fund.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions.

The District had \$5,280,000 in defeased bonds outstanding at August 31, 2020.

Tuloso-Midway Independent School District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Events Notices to the State Information Depository of Texas (SID), 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 Tuloso-Midway Independent School District.

3. Capital Leases

During 2020, the District entered into lease purchase agreements for the acquisition of printers and copiers at a cost of \$387,481. Beginning in 2020, the monthly lease payment is \$7,245, payable in sixty equal monthly installments at 4.5966%.

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of August 31, 2020, as follows:

<u>Year Ending August 31:</u>	
2021	\$ 86,935
2022	86,935
2023	86,935
2024	86,935
2025	72,833
Total	\$ 420,573
Less amount representing interest	(44,319)
Present value of future minimum lease payments	<u>\$ 376,254</u>

The effective interest rate on capital leases is 4.5966%.

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, 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.

H. Pension Plan

1. Plan Description

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

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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

Contribution Rates

	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
District's 2019 Employer Contributions	\$ 698,444	
District's 2019 Member Contributions	\$ 1,938,308	
2019 NECE On-Behalf Contributions (state)	\$ 1,267,501	

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

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FOR THE YEAR ENDED AUGUST 31, 2020

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

5. Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
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The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full descriptions of these assumptions please see the actuarial valuation report dated November 9, 2018.

6. Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

Asset Class	FY 2019 Target Allocation *	New Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***
Global Equity			
USA	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	-	-
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries ****	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds ****	3.0%	-	-
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources & Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5%*****
Leverage			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	-	-6.0%	2.7%
Expected Return	100.0%	100.0%	7.23%

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- * Target allocations are based on the Strategic Asset Allocation as of FY2019
- ** New allocations are based on the Strategic Asset Allocation to be implemented FY2020
- *** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%
- **** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds
- ***** 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	\$ 14,151,186	\$ 9,206,147	\$ 5,199,712

8. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2020, the District reported a liability of \$9,206,147 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 9,206,147
State's proportionate share that is associated with District	<u>18,825,481</u>
Total	<u>\$ 28,031,628</u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0177098759%, which was an increase (decrease) of -0.0010985119% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation -

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

For the year ended August 31, 2020, the District recognized pension expense of \$4,890,246 and revenue of

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
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\$2,957,218 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 38,674	\$ 319,652
Changes in actuarial assumptions	2,856,199	1,180,317
Difference between projected and actual investment earnings	92,440	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	900,465	454,072
Contributions paid to TRS subsequent to the measurement date	698,444	--
Total	<u>\$ 4,586,222</u>	<u>\$ 1,954,041</u>

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

Year Ended August 31	Pension Expense Amount
2021	\$ 575,850
2022	\$ 459,269
2023	\$ 465,127
2024	\$ 426,885
2025	\$ 115,083
Thereafter	\$ (108,477)

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

3. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for retirees are reflected in the following table.

TRS-Care Monthly Premium Rates		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2019	2020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
District's 2020 Employer Contributions	\$	207,757
District's 2020 Member Contributions	\$	163,623
2019 NECE On-Behalf Contributions (state)	\$	252,253

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

subject to (regardless of whether or not they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers are required to pay TRS-Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation *
Healthcare Trend Rates	7.30% **
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. ***
Ad Hoc Post-Employment Benefit Changes	None

* Includes inflation at 2.5%.

**7.3% for FY2020, 7.4% for FY 2021, 7.0% for FY 2022, decreasing 0.5% per year to an ultimate rate of 4.5% for FY 2027 and later years.

*** 25% of pre-65 retirees are assumed to discontinue coverage at age 65.

6. Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was an increase of 1.06% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of net OPEB liability	\$ 15,273,018	\$ 12,650,339	\$ 10,598,615

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2020, the District reported a liability of \$12,650,339 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 12,650,339
State's proportionate share that is associated with the District	\$ 16,809,471
Total	\$ 29,459,810

The Net OPEB liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019 the District's proportion of the collective net OPEB liability was 0.0267498656%, which was an increase (decrease) of -0.0017672011% from its proportion measured as of August 31, 2018.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of net OPEB liability	\$ 10,319,703	\$ 12,650,339	\$ 15,772,321

9. Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB Liability (TOL) since the prior measurement period:

- The discount rate was changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no impact on the TOL.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

lapse assumption in the prior valuation. These changes decreased the TOL.

- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of \$796,341 and revenue of \$443,029 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 620,607	\$ 2,070,094
Changes in actuarial assumptions	702,628	3,402,631
Differences between projected and actual investment earnings	1,364	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	933,840	978,117
Contributions paid to TRS subsequent to the measurement date	<u>207,757</u>	
Total	<u>\$ 2,466,196</u>	<u>\$ 6,450,842</u>

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

Year ended August 31,	OPEB Expense Amount
2021	\$ (687,062)
2022	\$ (687,062)
2023	\$ (687,503)
2024	\$ (687,756)
2025	\$ (687,687)
Thereafter	\$ (755,332)

10. Medicare Part D Subsidies

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. For the current fiscal year ended August 31, 2020, the subsidy payment received by TRS-Care on behalf of the District was \$119,923.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

J. Employee Health Care Coverage

During the year ended August 31, 2020, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the 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 third party administrator is renewable September 1, 2020, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Aetna are available and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

K. 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 collectibility 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.

2. Litigation

No reportable litigation was pending against the District at August 31, 2020.

L. Due From Other Governments

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, 2020, are reported on the combined financial statements as Due from Other Governments and are summarized below:

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General	\$ 526,123	\$ 4,496	\$ 1,131	\$ 531,750
Debt Service	--	--	155	155
Other Governmental	--	1,153,661	1,268	1,154,929
Total	<u>\$ 526,123</u>	<u>\$ 1,158,157</u>	<u>\$ 2,554</u>	<u>\$ 1,686,834</u>

M. Unearned Revenue

Unearned revenue at year end consisted of the following:

<u>Revenue Description</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Unearned Amount</u>
Grant Programs	\$ --	\$ 16,653	\$ 16,653
Other	--	28,532	28,532
Total Unearned Revenue	<u>\$ --</u>	<u>\$ 45,185</u>	<u>\$ 45,185</u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

N. Fund Balances

The following is a summary of Governmental Fund fund balances of the District at the year ended August 31, 2020:

General Fund

Nonspendable:	
Inventories	\$ 81,029
Prepaid Items	613,385
	<u>694,414</u>
Assigned	
Lawsuits/Settlements	2,000,000
Insurance Deductibles	1,000,000
Construction/Maintenance Projects	20,556
Equipment	598,946
Other	233,960
	<u>3,853,462</u>
Unassigned:	<u>12,374,479</u>
Total General Fund fund balance	<u>16,922,355</u>

Debt Service Fund

Restricted:	
Retirement of Long-Term Debt	<u>1,087,077</u>
Total Debt Service Fund fund balance	<u>1,087,077</u>

Other Governmental Funds

Nonspendable:	
Inventories	<u>16,653</u>
Restricted:	
Child Nutrition	808,328
Capital Acquisition	760,993
	<u>1,569,321</u>
Assigned:	
Campus Activity Funds	<u>517,072</u>
Total Other Governmental Fund fund balance	<u>2,103,046</u>
Total Governmental fund balance	<u>\$ 20,112,478</u>

O. Tax Abatements

The Tulo-so-Midway ISD Board of Trustees has approved agreements with various companies for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

in statute. The project(s) under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the projects. The applications, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller's website: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>.

After approval, the applicant company must maintain a viable presence in the district for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that a company terminates this Agreement without the consent of the District, or in the event that the company or its successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Sec 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Sec. 33.01(c), or its successor statute. The agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

Below is the abatement information that is required by GASB Statement No. 77 for M&O purposes. It includes the net benefit to the District but does not include any I&S impact.

< A >	< B >	< C >	< D >	< E >	< F >	< G >
Project	Project's	Amount of	Amount of	Company	Company	Net Benefit
Value	Value	Applicant's	Applicant's	Revenue Loss	Supplemental	(Loss) to the
2019	Limitation	M&O Taxes	M&O Taxes	Payment to	Payment to	School District
	Amount	Paid 2019	Reduced 2019	School District	School District	2019
	2019			2019	2019	(C+E+F)
\$518,554,400	\$30,000,000	\$320,505	\$5,219,471	--	\$366,892	\$687,397

Project Description

1. M&G Resins USA, LLC (Application #277)
First Year Value Limitation: 2016

P. COVID - 19

On March 11, 2020, The World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The District is closely monitoring the situation, but the extent of financial impact to the District is unknown at this time.

Required Supplementary Information

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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 34,344,972	\$ 32,380,195	\$ 32,404,879	\$ 24,684
5800	State Program Revenues	5,392,483	7,813,947	7,390,265	(423,682)
5900	Federal Program Revenues	518,800	518,800	907,075	388,275
5020	Total Revenues	40,256,255	40,712,942	40,702,219	(10,723)
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	21,952,957	22,748,516	21,546,625	1,201,891
0012	Instructional Resources and Media Services	411,725	426,339	424,560	1,779
0013	Curriculum and Staff Development	108,497	98,419	54,830	43,589
	Total Instruction & Instr. Related Services	22,473,179	23,273,274	22,026,015	1,247,259
Instructional and School Leadership:					
0021	Instructional Leadership	530,570	487,276	469,076	18,200
0023	School Leadership	2,157,927	2,246,079	2,214,486	31,593
	Total Instructional & School Leadership	2,688,497	2,733,355	2,683,562	49,793
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	1,386,781	1,412,229	1,365,361	46,868
0032	Social Work Services	1,000	1,000	1,000	--
0033	Health Services	470,336	461,527	442,191	19,336
0034	Student (Pupil) Transportation	1,146,635	1,259,836	1,188,438	71,398
0036	Cocurricular/Extracurricular Activities	1,757,507	1,921,170	1,426,708	494,462
	Total Support Services - Student (Pupil)	4,762,259	5,055,762	4,423,698	632,064
Administrative Support Services:					
0041	General Administration	1,689,758	1,778,773	1,667,125	111,648
	Total Administrative Support Services	1,689,758	1,778,773	1,667,125	111,648
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	5,741,283	5,874,909	5,361,535	513,374
0052	Security and Monitoring Services	330,443	335,617	251,414	84,203
0053	Data Processing Services	532,062	694,996	663,380	31,616
	Total Support Services - Nonstudent Based	6,603,788	6,905,522	6,276,329	629,193
Ancillary Services:					
0061	Community Services	300	300	--	300
	Total Ancillary Services	300	300	--	300
Debt Service:					
0071	Principal on Long-Term Debt	933,303	702,245	702,243	2
0072	Interest on Long-Term Debt	--	244,763	244,761	2
0073	Bond Issuance Costs and Fees	--	400	400	--
	Total Debt Service	933,303	947,408	947,404	4
Capital Outlay:					
0081	Capital Outlay	176,450	78,290	55,858	22,432
	Total Capital Outlay	176,450	78,290	55,858	22,432
Intergovernmental Charges:					
0091	Contracted Instr. Services Between Public Schools	447,301	451,286	448,895	2,391

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT G-1

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Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
0095	Payments to Juvenile Justice Alternative				
0095	Education Programs	37,500	38,002	38,002	--
0099	Other Intergovernmental Charges	448,920	448,920	437,547	11,373
	Total Intergovernmental Charges	933,721	938,208	924,444	13,764
6030	Total Expenditures	40,261,255	41,710,892	39,004,435	2,706,457
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(5,000)	(997,950)	1,697,784	2,695,734
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	5,000	5,000	677	(4,323)
7913	Issuance of Capital Leases	--	387,482	387,480	(2)
8911	Transfers Out	--	(1,000,000)	(1,000,000)	--
8949	Other Uses	--	(33,032)	(33,031)	1
7080	Total Other Financing Sources and (Uses)	5,000	(640,550)	(644,874)	(4,324)
1200	Net Change in Fund Balance	--	(1,638,500)	1,052,910	2,691,410
0100	Fund Balance - Beginning	15,869,445	15,869,445	15,869,445	--
3000	Fund Balance - Ending	\$ 15,869,445	\$ 14,230,945	\$ 16,922,355	\$ 2,691,410

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2020

	Measurement Year Ended August 31,					
	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0177098759%	0.0188083878%	0.0179568271%	0.0184805858%	0.0188781000%	0.0106957000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 9,206,147	\$ 10,352,593	\$ 5,741,626	\$ 6,983,539	\$ 6,673,157	\$ 2,856,969
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	18,825,481	21,021,291	12,393,506	14,773,498	13,686,138	11,728,072
Total	<u>\$ 28,031,628</u>	<u>\$ 31,373,884</u>	<u>\$ 18,135,132</u>	<u>\$ 21,757,037</u>	<u>\$ 20,359,295</u>	<u>\$ 14,585,041</u>
District's Covered Payroll	\$ 23,502,063	\$ 23,774,796	\$ 22,656,661	\$ 22,128,117	\$ 20,359,295	\$ 14,585,041
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	39.17%	43.54%	25.34%	31.56%	32.78%	19.59%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2020

	Fiscal Year Ended August 31,					
	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 698,444	\$ 619,867	\$ 629,986	\$ 588,046	\$ 587,175	\$ 588,989
Contribution in Relation to the Contractually Required Contribution	(698,444)	(619,867)	(629,986)	(588,046)	(587,175)	(558,989)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,000
District's Covered Payroll	\$ 25,172,805	\$ 23,502,063	\$ 24,903,114	\$ 22,656,661	\$ 22,128,177	\$ 20,650,249
Contributions as a percentage of Covered Payroll	2.77%	2.64%	2.53%	2.60%	2.65%	2.85%

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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2020

	Measurement Year Ended August 31,		
	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0267498656%	0.0285170667%	0.0265717836%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 12,650,339	\$ 14,238,832	\$ 11,555,072
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	16,809,471	21,147,981	18,300,293
Total	<u>\$ 29,459,810</u>	<u>\$ 35,386,813</u>	<u>\$ 29,855,365</u>
District's Covered Payroll	\$ 23,502,063	\$ 23,774,796	\$ 22,656,661
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	53.83%	59.89%	51.00%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

Note: Only three years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2020

	Fiscal Year Ended August 31,		
	2020	2019	2018
Contractually Required Contribution	\$ 207,757	\$ 189,850	\$ 196,192
Contribution in Relation to the Contractually Required Contribution	<u>(207,757)</u>	<u>(189,850)</u>	<u>(196,192)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 25,172,805	\$ 23,502,063	\$ 23,774,796
Contributions as a percentage of Covered Payroll	0.83%	0.81%	0.83%

Note: Only three years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2020

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the board.

Once a budget is approved, it can be amended at function and fund level only 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. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment 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.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2020

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2011 and Prior Years	\$	Various	\$	Various	\$	Various
2012		1.0905		.2417		1,659,418,082
2013		1.0686		.2636		1,827,721,060
2014		1.04		.2771		2,195,544,346
2015		1.09		.3045		2,212,755,633
2016		1.1056		.2718		2,406,366,842
2017		1.17		.2389		2,690,525,631
2018		1.17		.2022		3,165,916,701
2019		1.17		.2022		3,297,621,077
2020 (School Year Under Audit)		1.068350		.145640		3,690,885,087
1000 Totals						

10 Beginning Balance 9/1/19	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/20
\$ 173,591	\$ --	\$ 5,291	\$ 733	\$ (18,637)	\$ 148,930
102,785	--	1,317	292	1	101,177
40,813	--	1,645	406	(938)	37,824
69,821	--	3,142	837	(1,081)	64,761
63,832	--	4,287	1,198	131	58,478
99,925	--	6,348	1,561	(190)	91,826
152,723	--	13,028	2,660	(6,277)	130,758
149,393	--	11,052	1,910	(7,226)	129,205
279,413	--	92,812	16,040	(32,387)	138,174
--	39,241,020	31,330,555	5,002,449	(71,833)	2,836,183
<u>\$ 1,132,296</u>	<u>\$ 39,241,020</u>	<u>\$ 31,469,477</u>	<u>\$ 5,028,086</u>	<u>\$ (138,437)</u>	<u>\$ 3,737,316</u>

Levies and Collections

Fiscal Year End	Levy Year	Adjusted Tax Levy	Current Collections	Percent of Levy
08/31/18	2017	37,160,579	34,048,780	91.63%
08/31/19	2018	38,918,490	38,639,077	99.28%
08/31/20	2019	39,169,187	36,333,004	92.76%

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
GENERAL FUND
AS OF AUGUST 31, 2020

EXHIBIT J-2

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2020 (Exhibit C-1 object 3000 for the General Fund only)	\$ 16,922,355
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	694,414
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	--
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	3,853,462
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 months' average cash disbursements during the fiscal year	7,000,000
8	Estimate of delayed payments from state sources (58XX)	526,123
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)	1,158,156
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	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	13,232,155
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 3,690,200

If Item 13 is a Positive Number

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

Excess will be kept as an additional emergency reserve in the event of a significant tax value fluctuation from the District's two primary taxpayers. In addition, excess will be used to pay for several HVAC projects needed Districtwide.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
EXHIBIT J-3

*NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020*

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
REVENUES:				
5700	Local and Intermediate Sources	\$ 296,000	\$ 233,009	\$ (62,991)
5800	State Program Revenues	9,850	11,307	1,457
5900	Federal Program Revenues	2,560,000	1,786,462	(773,538)
5020	Total Revenues	2,865,850	2,030,778	(835,072)
EXPENDITURES:				
Current:				
Support Services - Student (Pupil):				
0035	Food Services	3,234,948	2,301,908	933,040
	Total Support Services - Student (Pupil)	3,234,948	2,301,908	933,040
Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	48,500	38,860	9,640
	Total Support Services - Nonstudent Based	48,500	38,860	9,640
6030	Total Expenditures	3,283,448	2,340,768	942,680
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(417,598)	(309,990)	107,608
Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	--	1,250	1,250
7080	Total Other Financing Sources and (Uses)	--	1,250	1,250
1200	Net Change in Fund Balance	(417,598)	(308,740)	108,858
0100	Fund Balance - Beginning	1,074,853	1,074,853	--
3000	Fund Balance - Ending	\$ 657,255	\$ 766,113	\$ 108,858

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 5,320,135	\$ 5,090,216	\$ (229,919)
5800 State Program Revenues	37,500	40,649	3,149
5020 Total Revenues	<u>5,357,635</u>	<u>5,130,865</u>	<u>(226,770)</u>
EXPENDITURES:			
Debt Service:			
0071 Principal on Long-Term Debt	4,125,000	4,125,000	--
0072 Interest on Long-Term Debt	2,011,969	2,011,969	--
0073 Bond Issuance Costs and Fees	15,000	5,850	9,150
Total Debt Service	<u>6,151,969</u>	<u>6,142,819</u>	<u>9,150</u>
6030 Total Expenditures	<u>6,151,969</u>	<u>6,142,819</u>	<u>9,150</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(794,334)	(1,011,954)	(217,620)
1200 Net Change in Fund Balance	<u>(794,334)</u>	<u>(1,011,954)</u>	<u>(217,620)</u>
0100 Fund Balance - Beginning	2,099,031	2,099,031	--
3000 Fund Balance - Ending	<u>\$ 1,304,697</u>	<u>\$ 1,087,077</u>	<u>\$ (217,620)</u>

Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

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 *Government Auditing Standards*

Board of Trustees
Tuloso-Midway Independent School District
9760 La Branch Drive
Corpus Christi, Texas 78410

Members of the Board of Trustees:

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, 2020, and the related notes to the financial statements, which collectively comprise Tuloso-Midway Independent School District's basic financial statements, and have issued our report thereon dated November 11, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Tuloso-Midway Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tuloso-Midway Independent School 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. 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

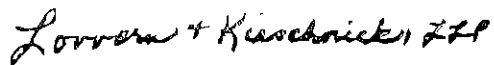
As part of obtaining reasonable assurance about whether the Tuloso-Midway Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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 results 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.

Respectfully submitted,

A handwritten signature in black ink that reads "Lovvorn & Kieschnick, LLP". The script is cursive and fluid.

Lovvorn & Kieschnick, LLP

Corpus Christi, TX

November 11, 2020

Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Tuloso-Midway Independent School District
9760 La Branch Drive
Corpus Christi, Texas 78410

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Tuloso-Midway Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Tuloso-Midway Independent School District's major federal programs for the year ended August 31, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2020.

Report on Internal Control Over Compliance

Management of the 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 the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Respectfully submitted,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX
November 11, 2020

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Version of compliance supplement used in audit: August 2020

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Feeding Program
84.425D	Elementary & Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
N/A - No prior findings		

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2020

Program

Corrective Action Plan

N/A

No corrective action required

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients Federal Expenditures
<u>U. S. Department of Defense</u>			
Passed Through State Department of Education:			
DFAS NJROTC	12.000	178-912	\$ -- \$ 73,748
Total U. S. Department of Defense			<u>73,748</u>
<u>U. S. Department of Health and Human Services</u>			
Passed Through State Department of Education:			
Medicaid Administration Claiming Program	93.778	178-912	-- 16,238
Total U. S. Department of Health and Human Services			<u>16,238</u>
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010A	2061010117891	-- 690,344
IDEA-B Cluster:			
IDEA-B Formula	84.027A	2066000117891	-- 644,187
IDEA-B Preschool	84.173A	2066100117891	-- 7,899
Total IDEA-B Cluster			<u>652,086</u>
Career and Technical - Basic Grant	84.048A	2042000617891	-- 42,853
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	2069450117891	-- 93,697
Elementary & Secondary School Emergency Relief Fund	84.425D	2052100117891	-- 575,827
Restart Hurricane Recovery	84.938A	1851170117891	-- 17,054
Title IV, Part A, Subpart 1	84.424A	2068010117891	-- 21,080
Summer School LEP	84.369A	69551902	-- 1,336
Total Passed Through State Department of Education			<u>2,094,277</u>
Total U. S. Department of Education			<u>2,094,277</u>
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	099580680	-- 554,899
National School Lunch Program	10.555	099580680	-- 974,415
Summer Food Service Program	10.559	099580680	-- 424,368
Total Child Nutrition Cluster			<u>1,953,683</u>
Commodity Supplemental Food Program	10.565	099580680	-- 118,334
Child and Adult Care Food Program	10.558	099580680	-- 57,992
NSLP Equipment Assistance Grant	10.579	099580680	-- 100,000
Total Passed Through State Department of Education			<u>2,230,009</u>
Total U. S. Department of Agriculture			<u>2,230,009</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -- \$ 4,414,272

The accompanying notes are an integral part of this schedule.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

Federal Assistance Reconciliation

Federal Grants and Contracts Revenues per Exhibit C-2	4,414,272
Less: School Health & Related Services (SHARS) reported in General Fund	<u>815,753</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u><u>5,230,025</u></u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Tuloso-Midway Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Tuloso-Midway Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.