

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**

***ANNUAL FINANCIAL REPORT***

***FOR THE YEAR ENDED AUGUST 31, 2019.***



**Lovvorn & Kieschnick**  
CERTIFIED PUBLIC ACCOUNTANTS

**LOVVORN & KIESCHNICK, LLP**

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**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**

**DIRECTORY OF OFFICIALS**

**AUGUST 31, 2019**

**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**

|                  |                            |
|------------------|----------------------------|
| RODNEY SUMNER    | 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, 2019

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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, 2019, at a meeting of the board of trustees of such school district on the 16<sup>th</sup> day of December, 2019.

  
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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As described in Note A to the financial statements, in 2019, Tuloso-Midway Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2019, Tuloso-Midway Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information 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 Tuloso-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 December 9, 2019 on our consideration of Tuloso-Midway Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Tuloso-Midway Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lovvorn & Kieschnick, LLP".

Lovvorn & Kieschnick, LLP

Corpus Christi, TX  
December 9, 2019

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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, 2019  
UNAUDITED**

This section of Tulosos-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, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

Tulosos-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 Tulosos-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 750 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.
- 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 8
  - Intermediate School – Serves grade 3 through 5
  - Primary School – Serves Pre-Kindergarten through 2<sup>nd</sup> grade.
- T-MISD is a small 5A 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 increased about 1.36%. Enrollment approached 3,941, with the average daily attendance approximating 3,668.92 students daily.
- The School Nutrition department services up approximately 2,497 breakfasts and 2,744 lunches daily, for a total of approximately 5,242 meals a day.

- T-MISD employees approximately 662 full-time and part-time employees, including 286 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 \$1,022,269 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

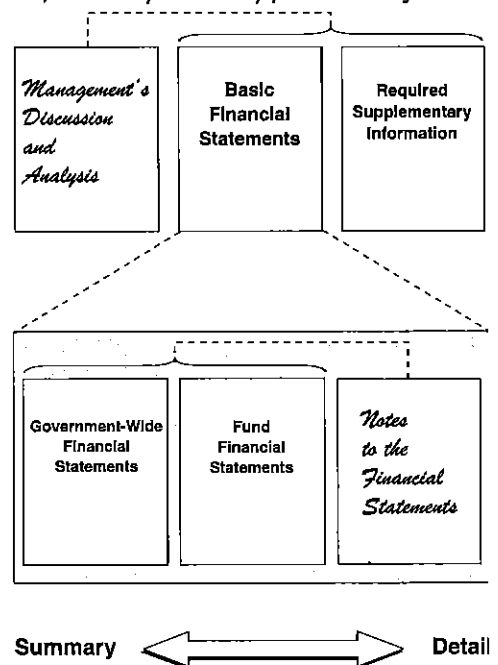
- The District's total combined net position was \$13,989,684 at August 31, 2019.
- During the year, the District's expenses were \$8,012,123 less than the \$58,666,458 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$15,869,445.

## 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  |
| Required financial statements          | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of liabilities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, &amp; changes in fund balances</li> </ul>   | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses, and changes in net assets</li> <li>• Statement of cash flows</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of liabilities and fund balances</li> </ul> |
| 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   |
| Extent of asset/liability information  | All assets and liabilities, both financial and capital, short-term and long-term                                | Only assets expected to be used up and liabilities that are due during the year or soon thereafter; no capital assets included   | All assets and liabilities, both financial and capital, and short-term and long-term   | All assets and liabilities, both short-term and long-term; the Agency Funds do not currently contain capital assets, although they can      |
| 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)

# FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

## Net position

The District's combined net position was \$13,989,684 at August 31, 2019. (See Table A-1.)

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

|   | Governmental<br>Activities |                   | Business-type<br>Activities |                | Total              |                    | Total<br>Percentage<br>Change |
|---|----------------------------|-------------------|-----------------------------|----------------|--------------------|--------------------|-------------------------------|
|   | 2019                       | 2018*             | 2019                        | 2018           | 2019               | 2018*              | 2019-2018                     |
| <b>Current Assets:</b>                      |                            |                   |                             |                |                    |                    |                               |
| Cash and Cash Equivalents                   | 18,368,139                 | 6,824,843         | 227,844                     | 200,925        | 18,595,983         | 7,025,768          | 164.7%                        |
| Property Taxes Receivable (Delinquent)      | 1,132,296                  | 3,936,163         | -                           | -              | 1,132,296          | 3,936,163          | -71.2%                        |
| Allowance for Uncollectible Taxes           | (377,428)                  | (1,727,600)       | -                           | -              | (377,428)          | (1,727,600)        | -78.2%                        |
| Due from Other Governments                  | 3,087,652                  | 1,626,178         | -                           | -              | 3,087,652          | 1,626,178          | 89.9%                         |
| Other Receivables, Net                      | 3,178                      | 4,067,513         | -                           | -              | 3,178              | 4,067,513          | -99.9%                        |
| Inventories                                 | 53,868                     | 72,736            | -                           | -              | 53,868             | 72,736             | -25.9%                        |
| Other Current Assets                        | 498,075                    | 461,893           | 702                         | -              | 498,777            | 461,893            | 8.0%                          |
| <b>Total Current Assets:</b>                | <b>22,765,780</b>          | <b>15,261,726</b> | <b>228,546</b>              | <b>200,925</b> | <b>22,994,326</b>  | <b>15,462,651</b>  | <b>48.7%</b>                  |
| <b>Noncurrent Assets:</b>                   |                            |                   |                             |                |                    |                    |                               |
| Land  | 995,733                    | 995,733           | -                           | -              | 995,733            | 995,733            | 0.0%                          |
| Buildings, Net                              | 77,563,214                 | 81,560,709        | -                           | -              | 77,563,214         | 81,560,709         | -4.9%                         |
| Furniture and Equipment, Net                | 2,000,352                  | 1,948,488         | -                           | -              | 2,000,352          | 1,948,488          | 2.7%                          |
| Capital Leases, Net                         | 61,433                     | 71,672            | -                           | -              | 61,433             | 71,672             | -14.3%                        |
| <b>Total Noncurrent Assets</b>              | <b>80,620,732</b>          | <b>84,576,602</b> | <b>-</b>                    | <b>-</b>       | <b>80,620,732</b>  | <b>84,576,602</b>  | <b>-4.7%</b>                  |
| <b>Total Assets</b>                         | <b>103,386,512</b>         | <b>99,838,328</b> | <b>228,546</b>              | <b>200,925</b> | <b>103,615,058</b> | <b>100,039,253</b> | <b>3.6%</b>                   |
| <b>Deferred Outflows of Resources:</b>      |                            |                   |                             |                |                    |                    |                               |
| Deferred Charge for Refunding               | 767,641                    | 785,041           | -                           | -              | 767,641            | 785,041            | -2.2%                         |
| Deferred Outflow Related to TRS Pensions    | 5,711,533                  | 2,370,037         | -                           | -              | 5,711,533          | 2,370,037          | 141.0%                        |
| Deferred Outflow Related to TRS OPEB        | 2,252,064                  | 198,000           | -                           | -              | 2,252,064          | 198,000            | 1037.4%                       |
| <b>Total Deferred Outflows of Resources</b> | <b>8,731,238</b>           | <b>3,353,078</b>  | <b>-</b>                    | <b>-</b>       | <b>8,731,238</b>   | <b>3,353,078</b>   | <b>160.4%</b>                 |
| <b>Current Liabilities:</b>                 |                            |                   |                             |                |                    |                    |                               |
| Accounts Payable                            | 547,432                    | 593,935           | 5                           | -              | 547,437            | 593,935            | -7.8%                         |
| Interest Payable                            | 123,973                    | 136,586           | -                           | -              | 123,973            | 136,586            | -9.2%                         |
| Accrued Liabilities                         | 198,723                    | 199,889           | 6,451                       | 8,885          | 205,174            | 208,774            | -1.7%                         |
| Due to Other Governments                    | 166,545                    | 697,040           | -                           | -              | 166,545            | 697,040            | -76.1%                        |
| Due to Student Groups                       | 14,910                     | 15,002            | -                           | -              | 14,910             | 15,002             | -0.6%                         |
| Unearned Revenue                            | 17,518                     | 96,091            | -                           | -              | 17,518             | 96,091             | -81.8%                        |
| <b>Total Current Liabilities</b>            | <b>1,069,101</b>           | <b>1,738,543</b>  | <b>6,456</b>                | <b>8,885</b>   | <b>1,075,557</b>   | <b>1,747,428</b>   | <b>-38.4%</b>                 |
| <b>Non-current Liabilities:</b>             |                            |                   |                             |                |                    |                    |                               |
| Due Within One Year                         | 5,227,348                  | 4,954,200         | -                           | -              | 5,227,348          | 4,954,200          | 5.5%                          |
| Due in More Than One Year                   | 62,261,298                 | 67,576,243        | -                           | -              | 62,261,298         | 67,576,243         | -7.9%                         |
| Net Pension Liability (District's Share)    | 10,352,593                 | 5,741,626         | -                           | -              | 10,352,593         | 5,741,626          | 80.3%                         |
| Net OPEB Liability (District's Share)       | 14,238,832                 | 11,555,072        | -                           | -              | 14,238,832         | 11,555,072         | 23.2%                         |
| <b>Total Liabilities</b>                    | <b>93,149,172</b>          | <b>91,565,684</b> | <b>6,456</b>                | <b>8,885</b>   | <b>93,155,628</b>  | <b>91,574,669</b>  | <b>1.7%</b>                   |
| <b>Deferred Inflows of Resources:</b>       |                            |                   |                             |                |                    |                    |                               |
| Deferred Inflow Related to TRS Pensions     | 698,322                    | 1,036,740         | -                           | -              | 698,322            | 1,036,740          | -32.6%                        |
| Deferred Inflow Related to TRS OPEB         | 4,502,662                  | 4,833,508         | -                           | -              | 4,502,662          | 4,833,508          | -6.8%                         |
| <b>Total Deferred Inflows of Resources</b>  | <b>5,200,984</b>           | <b>5,870,248</b>  | <b>-</b>                    | <b>-</b>       | <b>5,200,984</b>   | <b>5,870,248</b>   | <b>-11.4%</b>                 |
| <b>Net Position:</b>                        |                            |                   |                             |                |                    |                    |                               |
| Net Investment in Capital Assets            | 14,706,178                 | 14,224,962        | -                           | -              | 14,706,178         | 14,224,962         | 3.4%                          |
| Restricted For:                             |                            |                   |                             |                |                    |                    |                               |
| Federal and State Programs                  | 1,074,853                  | 535,915           | -                           | -              | 1,074,853          | 535,915            | 100.6%                        |
| Debt Service                                | 2,101,401                  | 258,007           | -                           | -              | 2,101,401          | 258,007            | 714.5%                        |
| Capital Projects                            | -                          | 990,090           | -                           | -              | -                  | 990,090            | -100.0%                       |
| Other Purposes                              | -                          | 1,171,216         | -                           | -              | -                  | 1,171,216          | -100.0%                       |
| Unrestricted                                | (4,114,838)                | (11,424,716)      | 222,090                     | 192,040        | (3,892,748)        | (11,232,676)       | -65.3%                        |
| <b>Total Net Position</b>                   | <b>13,767,594</b>          | <b>5,755,474</b>  | <b>222,090</b>              | <b>192,040</b> | <b>13,989,684</b>  | <b>5,947,514</b>   | <b>135.2%</b>                 |

\*Restated

## Changes in net position

The District's total governmental revenues were \$58,666,458. A significant portion, 67%, of the District's revenue comes from taxes. 9% comes from state aid, while 2% relates to charges for services.

The total cost of all governmental programs and services was \$50,654,335.

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

|                                   | Governmental Activities |                   | Business-type Activities |                | Total             |                   | Total Percentage Change |
|-----------------------------------|-------------------------|-------------------|--------------------------|----------------|-------------------|-------------------|-------------------------|
|                                   | 2019                    | 2018*             | 2019                     | 2018           | 2019              | 2018*             | 2019-2018               |
| <b>Program Revenues:</b>          |                         |                   |                          |                |                   |                   |                         |
| Charges for Services              | 1,389,279               | 672,695           | 280,051                  | 278,314        | 1,669,330         | 951,009           | 75.53%                  |
| Operating Grants and Contrib.     | 7,715,549               | (1,785,724)       | -                        | -              | 7,715,549         | (1,785,724)       | -532.07%                |
| <b>General Revenues:</b>          |                         |                   |                          |                |                   |                   |                         |
| Property Taxes                    | 39,204,926              | 35,796,711        | -                        | -              | 39,204,926        | 35,796,711        | 9.52%                   |
| State Aid – Formula               | 5,665,930               | 5,244,430         | -                        | -              | 5,665,930         | 5,244,430         | 8.04%                   |
| Investment Earnings               | 463,717                 | 261,666           | -                        | -              | 463,717           | 261,666           | 77.22%                  |
| Other                             | 4,227,057               | 4,051,242         | -                        | -              | 4,227,057         | 4,051,242         | 4.34%                   |
| <b>Total Revenues</b>             | <b>58,666,458</b>       | <b>44,241,020</b> | <b>280,051</b>           | <b>278,314</b> | <b>58,946,509</b> | <b>44,519,334</b> | <b>32.41%</b>           |
| <b>Expenses:</b>                  |                         |                   |                          |                |                   |                   |                         |
| Instruction                       | 26,059,963              | 16,993,220        | -                        | -              | 26,059,963        | 16,993,220        | 53.36%                  |
| Instruc. Res. and Media Serv.     | 485,892                 | 333,690           | -                        | -              | 485,892           | 333,690           | 45.61%                  |
| Curricu. Dev. & Instr. Staff Dev. | 222,366                 | 172,769           | -                        | -              | 222,366           | 172,769           | 28.71%                  |
| Instructional Leadership          | 691,986                 | 453,800           | -                        | -              | 691,986           | 453,800           | 52.49%                  |
| School Leadership                 | 2,342,140               | 1,515,994         | -                        | -              | 2,342,140         | 1,515,994         | 54.50%                  |
| Guid., Couns. and Eval. Svcs      | 1,818,405               | 1,138,681         | -                        | -              | 1,818,405         | 1,138,681         | 59.69%                  |
| Social Work Services              | 18,223                  | 18,762            | -                        | -              | 18,223            | 18,762            | -2.87%                  |
| Health Services                   | 434,643                 | 280,421           | -                        | -              | 434,643           | 280,421           | 55.00%                  |
| Student (Pupil) Transportation    | 1,252,805               | 1,164,495         | -                        | -              | 1,252,805         | 1,164,495         | 7.58%                   |
| Food Services                     | 2,812,975               | 2,387,436         | -                        | -              | 2,812,975         | 2,387,436         | 17.82%                  |
| Curricular/Extracurr. Activities  | 2,828,696               | 2,519,278         | -                        | -              | 2,828,696         | 2,519,278         | 12.28%                  |
| General Administration            | 1,795,717               | 1,553,204         | -                        | -              | 1,795,717         | 1,553,204         | 15.61%                  |
| Plant Maintenance & Oper.         | 5,728,280               | 5,326,262         | -                        | -              | 5,728,280         | 5,326,262         | 7.55%                   |
| Security & Monitoring Services    | 310,480                 | 324,809           | -                        | -              | 310,480           | 324,809           | -4.41%                  |
| Data Processing Services          | 519,759                 | 561,767           | -                        | -              | 519,759           | 561,767           | -7.48%                  |
| Community Services                | 22,616                  | (84,671)          | -                        | -              | 22,616            | (84,671)          | -126.71%                |
| Debt Service                      | 2,026,008               | 3,425,047         | -                        | -              | 2,026,008         | 3,425,047         | -37.56%                 |
| TMPM After School Care            | -                       | -                 | 249,999                  | 220,317        | 249,999           | 220,317           | 13.47%                  |
| Capital Outlay - non-cap.         | -                       | 14,833            | -                        | -              | -                 | 14,833            | -100.00%                |
| Contracted Instruct. Services     | 808,662                 | 1,231,715         | -                        | -              | 808,662           | 1,231,715         | -34.35%                 |
| Payments to Juvenile Justice      | 36,331                  | 40,555            | -                        | -              | 36,331            | 40,555            | -10.42%                 |
| Other Intergovernmental           | 438,388                 | 435,302           | -                        | -              | 438,388           | 435,302           | 0.71%                   |
| <b>Total Expenses</b>             | <b>50,654,335</b>       | <b>39,807,369</b> | <b>249,999</b>           | <b>220,317</b> | <b>50,904,334</b> | <b>40,027,686</b> | <b>27.17%</b>           |
| Increase (Dec.) in Net Position   | 8,012,123               | 4,433,651         | 30,052                   | 57,997         | 8,042,175         | 4,491,648         | 79.05%                  |
| Net Position Beginning            | 6,956,907               | 22,781,753        | 192,038                  | 134,043        | 7,148,945         | 22,915,796        | -68.80%                 |
| Prior Period Adjustment           | (1,201,436)             | (20,258,497)      | -                        | -              | (1,201,436)       | (20,258,497)      | -94.07%                 |
| Net Position Ending               | 13,767,594              | 6,956,907         | 222,090                  | 192,040        | 13,989,684        | 7,148,947         | 95.69%                  |

- The cost of all *governmental* activities this year was \$50,654,335.
- However, the amount that our taxpayers paid for these activities through property taxes was \$39,204,926.
- Some of the cost was paid by those who directly benefited from the programs, 1,389,279, or
- By grants and contributions \$7,715,549.



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 Tulo-so-Midway Independent School District Functions

|  | Total Cost of Services |            |          | Net Cost of Services |            |          |
|--|------------------------|------------|----------|----------------------|------------|----------|
|  | 2019                   | 2018*      | % Change | 2019                 | 2018*      | % Change |
| Instruction                              | 26,059,963             | 16,993,220 | 53.36%   | 21,894,667           | 19,779,861 | 10.69%   |
| School Administration                    | 1,795,717              | 1,553,204  | 15.61%   | 1,688,406            | 1,795,960  | -5.99%   |
| Plant Maintenance & Operations           | 5,728,280              | 5,326,262  | 7.55%    | 5,329,362            | 5,895,722  | -9.61%   |
| Debt Service - Interest & Fiscal Charges | 2,026,008              | 3,425,047  | -40.85%  | 1,981,333            | 3,425,047  | -42.15%  |

\*The functional expenses reported for 2018 in Tables A-2 and A-3 were significantly reduced due to negative NECE expenses due to changes in benefits within the TRS-care plan.

### **Business-type Activities**

Revenues of the District's business-type activities increased \$1,737 and expenses increased \$29,682 from the preceding year.

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Revenues from governmental fund types totaled \$55,856,655, an increase of 13% 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 \$2,591,332 below final budget amounts. The most significant favorable variance in expenditures was for Instruction and plant maintenance and operations.

Resources available were \$1,648,562 above the final budgeted amount.

(continued)

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2018-19, the District had invested \$131,918,803 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net decrease (including additions and deductions) of \$1,369,344 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 |
|--------------------------------|-------------------------|-------------|--------------------------|------|-------------|-------------|-------------------------|
|                                | 2019                    | 2018        | 2019                     | 2018 | 2019        | 2018        | 2019-2018               |
| Land                           | 995,733                 | 995,733     | -                        | -    | 995,733     | 995,733     | 0.00%                   |
| Buildings and Improvements     | 122,142,406             | 123,048,051 | -                        | -    | 122,142,406 | 123,048,051 | -0.74%                  |
| Vehicles                       | 3,378,725               | 3,352,177   | -                        | -    | 3,378,725   | 3,352,177   | 0.79%                   |
| Equipment                      | 5,155,582               | 5,645,829   | -                        | -    | 5,155,582   | 5,645,829   | -8.68%                  |
| Capital Leases                 | 246,357                 | 246,357     | -                        | -    | 246,357     | 246,357     | 0.00%                   |
| Totals at Historical Cost      | 131,918,803             | 133,288,147 | -                        | -    | 131,918,803 | 133,288,147 | -1.03%                  |
| Total Accumulated Depreciation | 51,298,070              | 48,711,545  | -                        | -    | 51,298,070  | 48,711,545  | 5.31%                   |
| Net Capital Assets             | 80,620,733              | 84,576,602  | -                        | -    | 80,620,733  | 84,576,602  | -4.68%                  |

### 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, 2019:

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

|                             | Governmental<br>Activities |            | Business-type<br>Activities |      | Total      |            | Total<br>Percentage<br>Change |
|-----------------------------|----------------------------|------------|-----------------------------|------|------------|------------|-------------------------------|
|                             | 2019                       | 2018*      | 2019                        | 2018 | 2019       | 2018*      | 2019-2018                     |
| Bonds Payable               | 61,697,367                 | 66,361,807 | -                           | -    | 61,697,367 | 66,361,807 | -7.03%                        |
| Bond Premium                | 5,664,915                  | 6,053,150  | -                           | -    | 5,664,915  | 6,053,150  | -6.41%                        |
| Sub-Total                   | 67,362,282                 | 72,414,957 | -                           | -    | 67,362,282 | 72,414,957 | -6.98%                        |
| Compensated Absences        | 126,364                    | 115,486    | -                           | -    | 126,364    | 115,486    | 9.42%                         |
| Net Pension Liability       | 10,352,593                 | 5,741,626  | -                           | -    | 10,352,593 | 5,741,626  | 80.31%                        |
| Net OPEB Liability          | 14,238,832                 | 11,555,072 | -                           | -    | 14,238,832 | 11,555,072 | 23.23%                        |
| Total Long-Term Obligations | 92,080,071                 | 89,827,141 | -                           | -    | 92,080,071 | 89,827,141 | 2.51%                         |

\*Restated

## 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 beyond.

In developing the 2019-2020 budget the effects of the following factors were taken into consideration:

- 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 will be compressed by an as yet unknown additional amount dependent upon statewide and local property value growth. 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. Thirty percent of a district's budget increase must go to increase compensation and 75% of this total must go to teachers, librarians, counselors, and nurses, with priority given to veteran classroom teachers (greater than 5 years' experience).
- 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 2019-2020 property values have increased \$393.3 million (14.1% increase) for M&O values and \$393.3 million (10.7% increase) for I&S values.

### **Recapture**

Recapture for the 2018-2019 fiscal year was originally projected to be over \$2 million. After certified tax value adjustments due to the tax value reduction granted to the District's largest taxpayer Flint Hills Resources, 2018-2019 recapture decreased to \$1.1 million. Projected recapture for 2019-2020 is less than \$400,000.

### **Enrollment**

October 2019 snapshot enrollment is 3,926, a decrease of 15 students or 0.38%. However, the District has experienced a decrease in transfer students from 751 on October 2018 snapshot to 586 during October 2019 snapshot for a net resident student growth of 150.

### **Chapter 313 Partner**

The manufacturing corporation M&G Resins USA, LLC has been purchased by Corpus Christi Polymers, LLC. All delinquent tax payments and Chapter 313 supplemental and hold harmless payments from fiscal year 2017-2018 were paid during fiscal year 2018-2019 in addition to all current 2018-2019 obligations. The facility continues to be under construction and is tentatively scheduled for completion in the fall of 2020. The 2019 tax values for this property were identical to the previous year, therefore there is no hold harmless payment due to the District during 2019-2020.

### **Employee Compensation**

Due to funding increases from House Bill 3 salaries for 2019-2020 were increased \$1.4 million in total with the following average increases by employment category:

- Teachers/Counselors/Librarians/RNs 6.95% (less than 6 years of service 5.2%)
- Clerical/Paraprofessional 7.00%
- Maintenance/Transportation 9.00%
- Administrators/Professional Support 5.00%

### **Debt Service Fund**

The collection of delinquent and current tax payments from M&G Resins, USA, LLC/Corpus Christi Polymers, LLC during fiscal year 2018-2019 results in the District to have excess collections. This limits how the subsequent year's I&S tax rate is determined. For fiscal year 2019-2020 the I&S tax rate is reduced \$0.05656 from \$0.2022 to \$0.14564. The Debt Service Fund is projected to have expenditures in excess of revenues of approximately \$800,000. The projected fund balance for the Debt Service Fund as of August 31, 2020 is approximately \$1.2 million.

### **Food Service Fund**

Fiscal year 2018-2019 was the first 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 Food Service Fund Balance is in excess of three months of operating expenditures. The District has submitted an acceptable plan to the Texas Department of Agriculture detailing the capital improvement and equipment replacements scheduled to expend this excess fund balance. The current CEP application expires at the end of fiscal year 2021-2022.

### **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, Tuloso-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, 2019

| Data<br>Control<br>Codes                  | 1<br>Governmental<br>Activities | 2<br>Business-type<br>Activities | 3<br>Total           |
|---|---------------------------------|----------------------------------|----------------------|
| <b>ASSETS:</b>                            |                                 |                                  |                      |
| 1110 Cash and Cash Equivalents            | \$ 18,368,139                   | \$ 227,844                       | \$ 18,595,983        |
| 1225 Property Taxes Receivable (Net)      | 754,868                         | --                               | 754,868              |
| 1240 Due from Other Governments           | 3,087,652                       | --                               | 3,087,652            |
| 1290 Other Receivables (Net)              | 3,178                           | --                               | 3,178                |
| 1300 Inventories                          | 53,868                          | --                               | 53,868               |
| 1410 Unrealized Expenses                  | 498,075                         | 702                              | 498,777              |
| Capital Assets:                           |                                 |                                  |                      |
| 1510 Land                                 | 995,733                         | --                               | 995,733              |
| 1520 Buildings and Improvements, Net      | 77,563,214                      | --                               | 77,563,214           |
| 1530 Furniture and Equipment, Net         | 2,000,352                       | --                               | 2,000,352            |
| 1550 Capital Lease Assets, Net            | 61,433                          | --                               | 61,433               |
| 1000 Total Assets                         | <u>103,386,512</u>              | <u>228,546</u>                   | <u>103,615,058</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>    |                                 |                                  |                      |
| 1701 Deferred Charge for Refunding        | 767,641                         | --                               | 767,641              |
| 1705 Deferred Outflow Related to Pensions | 5,711,533                       | --                               | 5,711,533            |
| 1706 Deferred Outflow Related to OPEB     | 2,252,064                       | --                               | 2,252,064            |
| 1700 Total Deferred Outflows of Resources | <u>8,731,238</u>                | <u>--</u>                        | <u>8,731,238</u>     |
| <b>LIABILITIES:</b>                       |                                 |                                  |                      |
| 2110 Accounts Payable                     | 547,432                         | 5                                | 547,437              |
| 2140 Interest Payable                     | 123,973                         | --                               | 123,973              |
| 2165 Accrued Liabilities                  | 198,723                         | 6,451                            | 205,174              |
| 2180 Due to Other Governments             | 166,545                         | --                               | 166,545              |
| 2190 Due to Student Groups                | 14,910                          | --                               | 14,910               |
| 2300 Unearned Revenue                     | 17,518                          | --                               | 17,518               |
| Noncurrent Liabilities:                   |                                 |                                  |                      |
| 2501 Due Within One Year                  | 5,227,348                       | --                               | 5,227,348            |
| 2502 Due in More Than One Year            | 62,261,298                      | --                               | 62,261,298           |
| 2540 Net Pension Liability                | 10,352,593                      | --                               | 10,352,593           |
| 2545 Net OPEB Liability                   | 14,238,832                      | --                               | 14,238,832           |
| 2000 Total Liabilities                    | <u>93,149,172</u>               | <u>6,456</u>                     | <u>93,155,628</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>     |                                 |                                  |                      |
| 2605 Deferred Inflow Related to Pensions  | 698,322                         | --                               | 698,322              |
| 2606 Deferred Inflow Related to OPEB      | 4,502,662                       | --                               | 4,502,662            |
| 2600 Total Deferred Inflows of Resources  | <u>5,200,984</u>                | <u>--</u>                        | <u>5,200,984</u>     |
| <b>NET POSITION:</b>                      |                                 |                                  |                      |
| 3200 Net Investment in Capital Assets     | 14,706,178                      | --                               | 14,706,178           |
| Restricted For:                           |                                 |                                  |                      |
| 3820 Federal and State Programs           | 1,074,853                       | --                               | 1,074,853            |
| 3850 Debt Service                         | 2,101,401                       | --                               | 2,101,401            |
| 3900 Unrestricted                         | (4,114,838)                     | 222,090                          | (3,892,748)          |
| 3000 Total Net Position                   | <u>\$ 13,767,594</u>            | <u>\$ 222,090</u>                | <u>\$ 13,989,684</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, 2019

| Data<br>Control<br>Codes | Functions/Programs   | Expenses             | Program Revenues        |  |
|--------------------------|--|----------------------|-------------------------|--|
|                          |  |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions |
|                          | Governmental Activities:                                     |                      |                         |  |
| 11                       | Instruction  | \$ 26,059,963        | \$ 879,523              | \$ 3,285,773                             |
| 12                       | Instructional Resources and Media Services                   | 485,892              | --                      | 34,660                                   |
| 13                       | Curriculum and Staff Development                             | 222,366              | --                      | 152,420                                  |
| 21                       | Instructional Leadership                                     | 691,986              | --                      | 143,957                                  |
| 23                       | School Leadership  | 2,342,140            | --                      | 176,545                                  |
| 31                       | Guidance, Counseling, & Evaluation Services                  | 1,818,405            | --                      | 332,694                                  |
| 32                       | Social Work Services   | 18,223               | --                      | --                                       |
| 33                       | Health Services  | 434,643              | --                      | 33,961                                   |
| 34                       | Student Transportation                                       | 1,252,805            | --                      | 81,581                                   |
| 35                       | Food Service   | 2,812,975            | 386,985                 | 2,655,594                                |
| 36                       | Cocurricular/Extracurricular Activities                      | 2,828,696            | 122,771                 | 70,928                                   |
| 41                       | General Administration                                       | 1,795,717            | --                      | 107,311                                  |
| 51                       | Facilities Maintenance and Operations                        | 5,728,280            | --                      | 398,918                                  |
| 52                       | Security and Monitoring Services                             | 310,480              | --                      | 14,113                                   |
| 53                       | Data Processing Services                                     | 519,759              | --                      | 138,532                                  |
| 61                       | Community Services   | 22,616               | --                      | 18,685                                   |
| 72                       | Interest on Long-term Debt                                   | 2,019,758            | --                      | 44,675                                   |
| 73                       | Bond Issuance Costs and Fees                                 | 6,250                | --                      | --                                       |
| 91                       | Contracted Instructional Services between Schools            | 808,662              | --                      | 25,202                                   |
| 95                       | Payments to Juvenile Justice Alternative Ed. Programs        | 36,331               | --                      | --                                       |
| 99                       | Other Intergovernmental Charges                              | 438,388              | --                      | --                                       |
| TG                       | Total Governmental Activities                                | <u>50,654,335</u>    | <u>1,389,279</u>        | <u>7,715,549</u>                         |
|                          | Business-type Activities:                                    |                      |                         |  |
| 01                       | After School Care  | 249,999              | 280,051                 | --                                       |
| TB                       | Total Business-type Activities                               | <u>249,999</u>       | <u>280,051</u>          | <u>--</u>                                |
| TP                       | Total Primary Government                                     | <u>\$ 50,904,334</u> | <u>\$ 1,669,330</u>     | <u>\$ 7,715,549</u>                      |
|                          | General Revenues:  |                      |                         |  |
| MT                       | Property Taxes, Levied for General Purposes                  |                      |                         |  |
| DT                       | Property Taxes, Levied for Debt Service                      |                      |                         |  |
| IE                       | Investment Earnings  |                      |                         |  |
| GC                       | Grants and Contributions Not Restricted to Specific Programs |                      |                         |  |
|                          | Chapter 313 Payments   |                      |                         |  |
| MI                       | Miscellaneous  |                      |                         |  |
|                          | Extraordinary Items:   |                      |                         |  |
| E1                       | Extraordinary Item Inflow                                    |                      |                         |  |
| TR                       | Total General Revenues                                       |                      |                         |  |
| CN                       | Change in Net Position                                       |                      |                         |  |
| NB                       | Net Position - Beginning (Restated)                          |                      |                         |  |
| NE                       | Net Position - Ending  |                      |                         |  |

The accompanying notes are an integral part of this statement.

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8

Net (Expense) Revenue and Changes in Net Position

| <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>         |
|------------------------------------|-------------------------------------|----------------------|
| \$ (21,894,667)                    |                                     | \$ (21,894,667)      |
| (451,232)                          |                                     | (451,232)            |
| (69,946)                           |                                     | (69,946)             |
| (548,029)                          |                                     | (548,029)            |
| (2,165,595)                        |                                     | (2,165,595)          |
| (1,485,711)                        |                                     | (1,485,711)          |
| (18,223)                           |                                     | (18,223)             |
| (400,682)                          |                                     | (400,682)            |
| (1,171,224)                        |                                     | (1,171,224)          |
| 229,604                            |                                     | 229,604              |
| (2,634,997)                        |                                     | (2,634,997)          |
| (1,688,406)                        |                                     | (1,688,406)          |
| (5,329,362)                        |                                     | (5,329,362)          |
| (296,367)                          |                                     | (296,367)            |
| (381,227)                          |                                     | (381,227)            |
| (3,931)                            |                                     | (3,931)              |
| (1,975,083)                        |                                     | (1,975,083)          |
| (6,250)                            |                                     | (6,250)              |
| (783,460)                          |                                     | (783,460)            |
| (36,331)                           |                                     | (36,331)             |
| (438,388)                          |                                     | (438,388)            |
| <u>(41,549,507)</u>                |                                     | <u>(41,549,507)</u>  |
| --                                 | \$ 30,052                           | 30,052               |
| --                                 | 30,052                              | 30,052               |
| <u>(41,549,507)</u>                | <u>30,052</u>                       | <u>(41,519,455)</u>  |
| 32,375,866                         | --                                  | 32,375,866           |
| 6,829,060                          | --                                  | 6,829,060            |
| 463,717                            | --                                  | 463,717              |
| 5,665,930                          | --                                  | 5,665,930            |
| 1,005,412                          | --                                  | 1,005,412            |
| 219,691                            | --                                  | 219,691              |
| 3,001,944                          | --                                  | 3,001,944            |
| <u>49,561,630</u>                  | <u>--</u>                           | <u>49,561,630</u>    |
| 8,012,123                          | 30,052                              | 8,042,175            |
| 5,755,471                          | 192,038                             | 5,947,509            |
| <u>\$ 13,767,594</u>               | <u>\$ 222,090</u>                   | <u>\$ 13,989,684</u> |

# TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2019

| Data<br>Control<br>Codes  | 10<br>General<br>Fund | 24<br>National School<br>Breakfast/Lunch<br>Program |
|---|-----------------------|---|
| <b>ASSETS:</b>  |                       |   |
| 1110 Cash and Cash Equivalents  | \$ 13,127,075         | \$ 1,016,203  |
| 1225 Taxes Receivable, Net  | 628,524               | --  |
| 1240 Due from Other Governments   | 2,266,895             | 326,652   |
| 1260 Due from Other Funds   | 480,363               | --  |
| 1290 Other Receivables  | 3,178                 | --  |
| 1300 Inventories  | 46,413                | 7,455   |
| 1410 Unrealized Expenditures  | 498,075               | --  |
| 1000 Total Assets   | <u>17,050,523</u>     | <u>1,350,310</u>                                    |
| <b>LIABILITIES:</b>   |                       |   |
| Current Liabilities:  |                       |   |
| 2110 Accounts Payable   | \$ 198,095            | \$ 253,092  |
| 2120 Short-Term Debt Payable  | 510                   | --  |
| 2150 Payroll Deductions & Withholdings                                    | 1,649                 | --  |
| 2160 Accrued Wages Payable  | 193,865               | --  |
| 2170 Due to Other Funds   | --                    | --  |
| 2180 Due to Other Governments   | 154,260               | --  |
| 2190 Due to Student Groups  | --                    | 14,910  |
| 2200 Accrued Expenditures   | 2,615                 | --  |
| 2300 Unearned Revenue   | 1,560                 | 7,455   |
| 2000 Total Liabilities  | <u>552,554</u>        | <u>275,457</u>                                      |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                     |                       |   |
| 2601 Unavailable Revenue - Property Taxes                                 | 628,524               | --  |
| 2600 Total Deferred Inflows of Resources                                  | <u>628,524</u>        | <u>--</u>   |
| <b>FUND BALANCES:</b>   |                       |   |
| Nonspendable Fund Balances:   |                       |   |
| 3410 Inventories  | 46,413                | 7,455   |
| 3430 Prepaid Items  | 498,075               | --  |
| Restricted Fund Balances:   |                       |   |
| 3450 Federal/State Funds Grant Restrictions                               | --                    | 1,067,398   |
| 3480 Retirement of Long-Term Debt   | --                    | --  |
| 3490 Other Restrictions of Fund Balance                                   | --                    | --  |
| Assigned Fund Balances:   |                       |   |
| 3570 Capital Expenditures for Equipment                                   | 2,000                 | --  |
| 3590 Other Assigned Fund Balance  | 3,000,000             | --  |
| 3600 Unassigned   | 12,322,957            | --  |
| 3000 Total Fund Balances  | <u>15,869,445</u>     | <u>1,074,853</u>                                    |
| Total Liabilities, Deferred Inflow<br>4000 of Resources and Fund Balances | <u>\$ 17,050,523</u>  | <u>\$ 1,350,310</u>                                 |

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

| 50<br>Debt<br>Service<br>Fund | Other<br>Governmental<br>Funds | 98<br>Total<br>Governmental<br>Funds |
|-------------------------------|--------------------------------|--------------------------------------|
| \$ 2,091,580                  | \$ 1,284,114                   | \$ 17,518,972                        |
| 126,344                       | --                             | 754,868                              |
| 7,450                         | 486,655                        | 3,087,652                            |
| --                            | --                             | 480,363                              |
| --                            | --                             | 3,178                                |
| --                            | --                             | 53,868                               |
| --                            | --                             | 498,075                              |
| <u>2,225,374</u>              | <u>1,770,769</u>               | <u>22,396,976</u>                    |
| \$ --                         | \$ 9,666                       | \$ 460,853                           |
| --                            | --                             | 510                                  |
| --                            | --                             | 1,649                                |
| --                            | 84                             | 193,949                              |
| --                            | 480,363                        | 480,363                              |
| --                            | 12,285                         | 166,545                              |
| --                            | --                             | 14,910                               |
| --                            | --                             | 2,615                                |
| --                            | 8,503                          | 17,518                               |
| <u>--</u>                     | <u>510,901</u>                 | <u>1,338,912</u>                     |
| 126,344                       | --                             | 754,868                              |
| <u>126,344</u>                | <u>--</u>                      | <u>754,868</u>                       |
| --                            | --                             | 53,868                               |
| --                            | --                             | 498,075                              |
| --                            | --                             | 1,067,398                            |
| 2,099,030                     | --                             | 2,099,030                            |
| --                            | 680,086                        | 680,086                              |
| --                            | --                             | 2,000                                |
| --                            | 579,782                        | 3,579,782                            |
| --                            | --                             | 12,322,957                           |
| <u>2,099,030</u>              | <u>1,259,868</u>               | <u>20,303,196</u>                    |
| \$ <u>2,225,374</u>           | \$ <u>1,770,769</u>            | \$ <u>22,396,976</u>                 |

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**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**AUGUST 31, 2019**

Total fund balances - governmental funds balance sheet \$ 20,303,196

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.                                | 80,620,732   |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.      | 754,868      |
| The assets and liabilities of internal service funds are included in governmental activities in the SNP.     | 762,589      |
| Payables for bond principal which are not due in the current period are not reported in the funds.           | (61,697,367) |
| Payables for bond interest which are not due in the current period are not reported in the funds.            | (123,973)    |
| Payables for compensated absences which are not due in the current period are not reported in the funds.     | (126,364)    |
| Deferred charge for refunding is expended in the funds, but is amortized in the statement of net position.   | 767,641      |
| Recognition of the District's proportionate share of the net pension liability is not reported in the funds. | (10,352,593) |
| Deferred Resource Inflows related to the pension plan are not reported in the funds.                         | (698,322)    |
| Deferred Resource Outflows related to the pension plan are not reported in the funds.                        | 5,711,533    |
| Bond premiums are amortized in the SNA but not in the funds.   | (5,664,915)  |
| Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.    | (14,238,832) |
| Deferred Resource Inflows related to the OPEB plan are not reported in the funds.                            | (4,502,662)  |
| Deferred Resource Outflows related to the OPEB plan are not reported in the funds.                           | 2,252,064    |

Net position of governmental activities - Statement of Net Position \$ 13,767,594

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, 2019

| Data<br>Control<br>Codes                                    | 10<br>General<br>Fund | 24<br>National School<br>Breakfast/Lunch<br>Program |
|---|-----------------------|---|
| <b>REVENUES:</b>  |                       |   |
| 5700 <i>Local and Intermediate Sources</i>                  | \$ 34,501,715         | \$ 387,888  |
| 5800 <i>State Program Revenues</i>                          | 6,086,660             | 9,844   |
| 5900 <i>Federal Program Revenues</i>                        | 1,032,887             | 2,689,753   |
| 5020 <b>Total Revenues</b>                                  | <u>41,621,262</u>     | <u>3,087,485</u>                                    |
| <b>EXPENDITURES:</b>  |                       |   |
| Current:  |                       |   |
| 0011 <i>Instruction</i>                                     | 20,221,712            | --  |
| 0012 <i>Instructional Resources and Media Services</i>      | 401,797               | --  |
| 0013 <i>Curriculum and Staff Development</i>                | 63,040                | --  |
| 0021 <i>Instructional Leadership</i>                        | 441,074               | --  |
| 0023 <i>School Leadership</i>                               | 1,949,238             | --  |
| 0031 <i>Guidance, Counseling, &amp; Evaluation Services</i> | 1,293,064             | --  |
| 0032 <i>Social Work Services</i>                            | 950                   | --  |
| 0033 <i>Health Services</i>                                 | 376,132               | --  |
| 0034 <i>Student Transportation</i>                          | 959,953               | --  |
| 0035 <i>Food Service</i>                                    | --                    | 2,528,972   |
| 0036 <i>Cocurricular/Extracurricular Activities</i>         | 1,670,519             | --  |
| 0041 <i>General Administration</i>                          | 1,579,310             | --  |
| 0051 <i>Facilities Maintenance and Operations</i>           | 5,019,782             | 41,796  |
| 0052 <i>Security and Monitoring Services</i>                | 301,341               | --  |
| 0053 <i>Data Processing Services</i>                        | 484,629               | --  |
| 0061 <i>Community Services</i>                              | --                    | --  |
| 0071 <i>Principal on Long-term Debt</i>                     | 669,440               | --  |
| 0072 <i>Interest on Long-term Debt</i>                      | 263,412               | --  |
| 0073 <i>Bond Issuance Costs and Fees</i>                    | 400                   | --  |
| 0081 <i>Capital Outlay</i>                                  | 166,049               | --  |
| 0091 <i>Contracted Instructional Services</i>               |                       |   |
| 0091 <i>Between Public Schools</i>                          | 808,662               | --  |
| 0095 <i>Payments to Juvenile Justice Alternative</i>        |                       |   |
| 0095 <i>Education Programs</i>                              | 36,331                | --  |
| 0099 <i>Other Intergovernmental Charges</i>                 | 438,388               | --  |
| 6030 <b>Total Expenditures</b>                              | <u>37,145,223</u>     | <u>2,570,768</u>                                    |
| 1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>    |                       |   |
| 1100 <b>Expenditures</b>                                    | <u>4,476,039</u>      | <u>516,717</u>                                      |
| <b>Other Financing Sources and (Uses):</b>                  |                       |   |
| 7912 <i>Sale of Real or Personal Property</i>               | 4,587                 | 509   |
| 7080 <b>Total Other Financing Sources and (Uses)</b>        | <u>4,587</u>          | <u>509</u>  |
| <b>EXTRAORDINARY ITEM:</b>                                  |                       |   |
| 7919 <i>Extraordinary Item (Resource)</i>                   | 3,001,944             | --  |
| 1200 <b>Net Change in Fund Balances</b>                     | <u>7,482,570</u>      | <u>517,226</u>                                      |
| 0100 <b>Fund Balances - Beginning</b>                       | 8,386,875             | 557,627   |
| 3000 <b>Fund Balances - Ending</b>                          | <u>\$ 15,869,445</u>  | <u>\$ 1,074,853</u>                                 |

The accompanying notes are an integral part of this statement.



## EXHIBIT C-2

| 50<br>Debt<br>Service<br>Fund | Other<br>Governmental<br>Funds | 98<br>Total<br>Governmental<br>Funds |
|-------------------------------|--------------------------------|--------------------------------------|
| \$ 7,936,992                  | \$ 905,040                     | \$ 43,731,635                        |
| 44,675                        | 591,789                        | 6,732,968                            |
| --                            | 1,669,412                      | 5,392,052                            |
| <u>7,981,667</u>              | <u>3,166,241</u>               | <u>55,856,655</u>                    |
| --                            | 1,640,290                      | 21,862,002                           |
| --                            | --                             | 401,797                              |
| --                            | 153,192                        | 216,232                              |
| --                            | 109,555                        | 550,629                              |
| --                            | 10,138                         | 1,959,376                            |
| --                            | 229,732                        | 1,522,796                            |
| --                            | --                             | 950                                  |
| --                            | --                             | 376,132                              |
| --                            | 200,600                        | 1,160,553                            |
| --                            | --                             | 2,528,972                            |
| --                            | 819,795                        | 2,490,314                            |
| --                            | --                             | 1,579,310                            |
| --                            | 68,832                         | 5,130,410                            |
| --                            | --                             | 301,341                              |
| --                            | 119,922                        | 604,551                              |
| --                            | 18,728                         | 18,728                               |
| 3,995,000                     | --                             | 4,664,440                            |
| 2,139,794                     | --                             | 2,403,206                            |
| 5,850                         | --                             | 6,250                                |
| --                            | 126,500                        | 292,549                              |
| --                            | --                             | 808,662                              |
| --                            | --                             | 36,331                               |
| --                            | --                             | 438,388                              |
| <u>6,140,644</u>              | <u>3,497,284</u>               | <u>49,353,919</u>                    |
| <u>1,841,023</u>              | <u>(331,043)</u>               | <u>6,502,736</u>                     |
| --                            | --                             | 5,096                                |
| --                            | --                             | 5,096                                |
| --                            | --                             | 3,001,944                            |
| <u>1,841,023</u>              | <u>(331,043)</u>               | <u>9,509,776</u>                     |
| 258,007                       | 1,590,911                      | 10,793,420                           |
| <u>\$ 2,099,030</u>           | <u>\$ 1,259,868</u>            | <u>\$ 20,303,196</u>                 |

**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, 2019**

|  |                     |
|--|---------------------|
| Net change in fund balances - total governmental funds   | \$ 9,509,776        |
| Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because: |                     |
| Capital outlays are not reported as expenses in the SOA.   | 747,983             |
| The depreciation of capital assets used in governmental activities is not reported in the funds.           | (4,350,831)         |
| Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.              | (353,022)           |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.    | (1,453,694)         |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.               | 4,664,440           |
| (Increase) decrease in accrued interest from beginning of period to end of period.                         | 12,613              |
| The net revenue (expense) of internal service funds is reported with governmental activities.              | 104,804             |
| Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.     | (10,878)            |
| Amortization of bond premium and deferred amount is an expense in the SOA but not in the funds.            | 370,835             |
| The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized. | (931,053)           |
| The District's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.    | (298,850)           |
| Change in net position of governmental activities - Statement of Activities                                | \$ <u>8,012,123</u> |

The accompanying notes are an integral part of this statement.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT****STATEMENT OF NET POSITION****PROPRIETARY FUNDS****AUGUST 31, 2019**

| Data<br>Control<br>Codes |                           | Nonmajor<br>Enterprise<br>Fund | Nonmajor<br>Internal Service<br>Fund |
|--------------------------|---------------------------|--------------------------------|--------------------------------------|
|                          |                           | After School<br>Care           | Insurance<br>Fund                    |
| <b>ASSETS:</b>           |                           |                                |                                      |
| Current Assets:          |                           |                                |                                      |
| 1110                     | Cash and Cash Equivalents | \$ 227,844                     | \$ 849,168                           |
| 1410                     | Unrealized Expenses       | 702                            | --                                   |
|                          | Total Current Assets      | <u>228,546</u>                 | <u>849,168</u>                       |
| 1000                     | Total Assets              | <u>228,546</u>                 | <u>849,168</u>                       |
| <b>LIABILITIES:</b>      |                           |                                |                                      |
| Current Liabilities:     |                           |                                |                                      |
| 2110                     | Accounts Payable          | \$ 5                           | \$ 86,579                            |
| 2160                     | Accrued Wages Payable     | 6,451                          | --                                   |
|                          | Total Current Liabilities | <u>6,456</u>                   | <u>86,579</u>                        |
| 2000                     | Total Liabilities         | <u>6,456</u>                   | <u>86,579</u>                        |
| <b>NET POSITION:</b>     |                           |                                |                                      |
| 3900                     | Unrestricted              | 222,090                        | 762,589                              |
| 3000                     | Total Net Position        | <u>\$ 222,090</u>              | <u>\$ 762,589</u>                    |

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, 2019

| Data<br>Control<br>Codes   |   | Nonmajor<br>Enterprise<br>Fund | Nonmajor<br>Internal Service<br>Fund |
|----------------------------|---|--------------------------------|--------------------------------------|
|                            |   | After School<br>Care           | Insurance<br>Fund                    |
| <b>OPERATING REVENUES:</b> |   |                                |                                      |
| 5700                       | <i>Local and Intermediate Sources</i>                   | \$ 280,051                     | \$ 263,568                           |
| 5020                       | Total Revenues  | <u>280,051</u>                 | <u>263,568</u>                       |
| <b>OPERATING EXPENSES:</b> |   |                                |                                      |
| 6100                       | <i>Payroll Costs</i>                                    | 234,160                        | --                                   |
| 6200                       | <i>Professional and Contracted Services</i>             | 458                            | 54,810                               |
| 6300                       | <i>Supplies and Materials</i>                           | 4,428                          | --                                   |
| 6400                       | <i>Other Operating Costs</i>                            | 3,699                          | 103,954                              |
| 6600                       | <i>Capital Outlay - Land, Buildings &amp; Equipment</i> | 7,254                          | --                                   |
| 6030                       | Total Expenses  | <u>249,999</u>                 | <u>158,764</u>                       |
| 1300                       | Change in Net Position                                  | 30,052                         | 104,804                              |
| 0100                       | Total Net Position - Beginning                          | 192,038                        | 657,785                              |
| 3300                       | Total Net Position - Ending                             | <u>\$ 222,090</u>              | <u>\$ 762,589</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, 2019**

|  | <u>Enterprise Funds</u> |                              |
|--|-------------------------|------------------------------|
|  | After School<br>Care    | Internal<br>Service<br>Funds |
| <b>Cash Flows from Operating Activities:</b>                   |                         |                              |
| <i>Cash Received from Customers</i>                            | \$ 280,051              | \$ --                        |
| <i>Cash Receipts (Payments) for Quasi-external</i>             |                         |                              |
| <i>Operating Transactions with Other Funds</i>                 | --                      | 263,568                      |
| <i>Cash Payments to Employees for Services</i>                 | (236,594)               | --                           |
| <i>Cash Payments to Other Suppliers for Goods and Services</i> | (16,536)                | (173,597)                    |
| Net Cash Provided (Used) by Operating Activities               | <u>26,921</u>           | <u>89,971</u>                |
| Net Increase (Decrease) in Cash and Cash Equivalents           | 26,921                  | 89,971                       |
| Cash and Cash Equivalents at Beginning of Year                 | 200,923                 | 759,197                      |
| Cash and Cash Equivalents at End of Year                       | <u>\$ 227,844</u>       | <u>\$ 849,168</u>            |
| <b>Reconciliation of Operating Income to Net Cash</b>          |                         |                              |
| <b>Provided by Operating Activities:</b>                       |                         |                              |
| Operating Income (Loss)  | \$ 30,052               | \$ 104,804                   |
| 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                       | (14,833)                     |
| <i>Increase (Decrease) in Accrued Wages Payable</i>            | (2,434)                 | --                           |
| Total Adjustments  | <u>(3,131)</u>          | <u>(14,833)</u>              |
| Net Cash Provided (Used) by Operating Activities               | <u>\$ 26,921</u>        | <u>\$ 89,971</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, 2019**

| Data<br>Control<br>Codes              | Agency<br>Fund | Student<br>Activity |
|---------------------------------------|----------------|---------------------|
| <b>ASSETS:</b>                        |                |                     |
| 1110 <i>Cash and Cash Equivalents</i> | \$ 143,517     |                     |
| 1000 <i>Total Assets</i>              | <u>143,517</u> |                     |
| <b>LIABILITIES:</b>                   |                |                     |
| Current Liabilities:                  |                |                     |
| 2190 <i>Due to Student Groups</i>     | \$ 143,517     |                     |
| 2000 <i>Total Liabilities</i>         | <u>143,517</u> |                     |
| <b>NET POSITION:</b>                  |                |                     |
| 3000 <i>Total Net Position</i>        | <u>\$ --</u>   |                     |

The accompanying notes are an integral part of this statement.

## **TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019**

#### **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.

**Food Service Fund:** This fund is used to account for child nutrition service operations financed from the

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

NSLP program and user charges.

Debt Service Fund: This fund is used to account for the District's debt service property tax revenue and 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



**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
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**FOR THE YEAR ENDED AUGUST 31, 2019**

and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. 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<br/>Useful Lives</u> |
|----------------------------|-----------------------------------|
| Buildings 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.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

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.

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.

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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.

**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, 2019, the District reported the following:

|                       |    |            |
|-----------------------|----|------------|
| Net Pension Asset     | \$ | --         |
| Net Pension Liability | \$ | 10,352,593 |

**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 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements**

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

**GASB Statement No. 83, *Certain Asset Retirement Obligations***

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An

## TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

#### 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-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, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was 611,058 and the bank balance was 1,134,223. The District's cash deposits at August 31, 2019 and during the year ended August 31, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

name.

2. Investments:

As of August 31, 2019 the District had the following investments and maturities:

| Investment Type              | Investment Maturities (In Years) |                      |              |              |
|------------------------------|----------------------------------|----------------------|--------------|--------------|
|                              | Fair Value                       | Less than 1          | 1 to 2       | 2 to 3       |
| <b>Investment Pools:</b>     |                                  |                      |              |              |
| Investment in TexPool        | \$ 204,977                       | \$ 204,977           | \$ --        | \$ --        |
| Investment in Lone Star Pool | 15,974,758                       | 15,974,758           | --           | --           |
| Investment in LOGiC          | 723,996                          | 723,996              | --           | --           |
| Investment in Texas Class    | 1,224,712                        | 1,224,712            | --           | --           |
| <b>Total Fair Value</b>      | <b>\$ 18,128,443</b>             | <b>\$ 18,128,443</b> | <b>\$ --</b> | <b>\$ --</b> |

**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

# TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

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 signatures from authorized representatives in order to be processed.

### D. Capital Assets

Capital asset activity for the year ended August 31, 2019, was as follows:

|  | Beginning<br>Balances | Increases      | Decreases   | Ending<br>Balances |
|--|-----------------------|----------------|-------------|--------------------|
| <b>Governmental activities:</b>              |                       |                |             |                    |
| <i>Capital assets not being depreciated:</i> |                       |                |             |                    |
| Land   | \$ 995,733            | \$ --          | \$ --       | \$ 995,733         |
| Construction in progress                     | --                    | --             | --          | --                 |
| Total capital assets not being depreciated   | 995,733               | --             | --          | 995,733            |
| <i>Capital assets being depreciated:</i>     |                       |                |             |                    |
| Buildings and improvements                   | 123,048,051           | 323,297        | 1,228,942   | 122,142,406        |
| Equipment                                    | 5,645,829             | 224,086        | 714,333     | 5,155,582          |
| Vehicles                                     | 3,352,177             | 200,600        | 174,052     | 3,378,725          |
| Capital Leases                               | 246,357               | --             | --          | 246,357            |
| Total capital assets being depreciated       | 132,292,414           | 747,983        | 2,117,327   | 130,923,070        |
| Less accumulated depreciation for:           |                       |                |             |                    |
| Buildings and improvements                   | (41,487,342)          | (3,969,715)    | (877,866)   | (44,579,191)       |
| Equipment                                    | (5,007,260)           | (167,603)      | (712,387)   | (4,462,476)        |
| Vehicles                                     | (2,042,258)           | (203,273)      | (174,052)   | (2,071,479)        |
| Capital Leases                               | (174,685)             | (10,239)       | --          | (184,924)          |
| Total accumulated depreciation               | (48,711,545)          | (4,350,830)    | (1,764,305) | (51,298,070)       |
| Total capital assets being depreciated, net  | 83,580,869            | (3,602,847)    | 353,022     | 79,625,000         |
| Governmental activities capital assets, net  | \$ 84,576,602         | \$ (3,602,847) | \$ 353,022  | \$ 80,620,733      |

Depreciation was charged to functions as follows:

|   |                     |
|---|---------------------|
| Instruction                                 | \$ 2,342,260        |
| Instructional Resources and Media Services  | 53,872              |
| Curriculum and Staff Development            | 2,627               |
| Instructional Leadership                    | 100,896             |
| School Leadership                           | 221,871             |
| Guidance, Counseling, & Evaluation Services | 183,222             |
| Social Work Services                        | 17,273              |
| Health Services                             | 27,467              |
| Student Transportation                      | 226,299             |
| Food Services                               | 284,003             |
| Extracurricular Activities                  | 255,190             |
| General Administration                      | 130,258             |
| Plant Maintenance and Operations            | 491,902             |
| Security and Monitoring Services            | 13,494              |
| Data Processing Services                    | 11                  |
| Community Services                          | 185                 |
|   | <u>\$ 4,350,830</u> |

# **TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2019**

### **E. Interfund Balances and Activities**

#### **1. Due To and From Other Funds**

Balances due to and due from other funds at August 31, 2019, consisted of the following:

| <u>Due To Fund</u> | <u>Due From Fund</u>     | <u>Amount</u>     | <u>Purpose</u>   |
|--------------------|--------------------------|-------------------|------------------|
| General Fund       | Other Governmental Funds | \$ 480,363        | Short-term loans |
|                    | Total                    | <u>\$ 480,363</u> |                  |

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

#### **2. Transfers To and From Other Funds**

There are no transfers to and from other funds at August 31, 2019.

### **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, 2019, are as follows:

| <u>Description</u>                              | <u>Interest Rate Payable</u> | <u>Amounts Original Issue</u> | <u>Amounts Outstanding 9/1/18</u> | <u>Issued</u> | <u>Retired</u> | <u>Amounts Outstanding 8/31/19</u> | <u>Amounts Due Within One Year</u> |
|---|------------------------------|-------------------------------|-----------------------------------|---------------|----------------|------------------------------------|------------------------------------|
| Maintenance Tax Notes                           |                              |                               |                                   |               |                |                                    |                                    |
| Series, 2008                                    | 4.38%                        | 2,649,941                     | 1,066,807                         | --            | 195,440        | 871,367                            | 204,016                            |
| Unlimited Tax School Building & Refunding Bonds | 3.00% to 5.00%               | 5,638,700                     | 435,000                           | --            | 160,000        | 275,000                            | 170,000                            |
| Series 2009                                     |                              |                               |                                   |               |                |                                    |                                    |
| Unlimited Tax School Building Bonds             | 2.00% to 3.375%              | 9,530,000                     | 7,235,000                         | --            | 425,000        | 6,810,000                          | 435,000                            |
| Series 2012                                     |                              |                               |                                   |               |                |                                    |                                    |
| Unlimited Tax School Building Bonds             | 2.00% to 5.00%               | 15,300,000                    | 7,305,000                         | --            | 610,000        | 6,695,000                          | 635,000                            |
| Series 2013                                     |                              |                               |                                   |               |                |                                    |                                    |
| Unlimited Tax School Building Bonds             | 2.00% to 4.00%               | 9,380,000                     | 8,360,000                         | --            | 420,000        | 7,940,000                          | 430,000                            |
| Series 2014                                     |                              |                               |                                   |               |                |                                    |                                    |
| Limited Tax Refunding Bonds                     | 2.31%                        | 2,002,000                     | 1,430,000                         | --            | 189,000        | 1,241,000                          | 192,000                            |
| Series 2014                                     |                              |                               |                                   |               |                |                                    |                                    |

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
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|                               |          |            |               |              |              |               |              |  |
|-------------------------------|----------|------------|---------------|--------------|--------------|---------------|--------------|--|
| Unlimited Tax                 |          |            |               |              |              |               |              |  |
| Refunding Bond                | 2.00% to |            |               |              |              |               |              |  |
| Series 2014                   | 4.00%    | 7,645,000  | 4,765,000     | --           | 1,120,000    | 3,645,000     | 1,155,000    |  |
| Unlimited Tax                 |          |            |               |              |              |               |              |  |
| Refunding Bond                | 2.00% to |            |               |              |              |               |              |  |
| Series 2015                   | 4.00%    | 5,615,000  | 4,585,000     | --           | 605,000      | 3,980,000     | 625,000      |  |
| Unlimited Tax                 |          |            |               |              |              |               |              |  |
| Refunding Bond                | 2.00% to |            |               |              |              |               |              |  |
| Series 2016                   | 5.00%    | 11,125,000 | 10,905,000    | --           | 350,000      | 10,555,000    | 360,000      |  |
| Maintenance Tax               |          |            |               |              |              |               |              |  |
| Notes                         | 3.00% to |            |               |              |              |               |              |  |
| Series, 2016                  | 5.00%    | 5,310,000  | 4,815,000     | --           | 285,000      | 4,530,000     | 295,000      |  |
| Unlimited Tax                 |          |            |               |              |              |               |              |  |
| Refunding Bond                | 2.00% to |            |               |              |              |               |              |  |
| Series 2017                   | 4.00%    | 7,810,000  | 7,390,000     | --           | 280,000      | 7,110,000     | 290,000      |  |
| Unlimited Tax                 |          |            |               |              |              |               |              |  |
| Refunding Bond                | 3.00% to |            |               |              |              |               |              |  |
| Series 2017-A                 | 4.00%    | 8,220,000  | 8,070,000     | --           | 25,000       | 8,045,000     | 25,000       |  |
|                               |          |            | 66,361,807    | --           | 4,664,440    | 61,697,367    | 4,816,016    |  |
| Bond Premium                  |          |            | 6,053,150     | --           | 388,235      | 5,664,915     | 388,235      |  |
| Net Pension Liability         |          |            | 5,741,626     | 5,244,574    | 633,607      | 10,352,593    | --           |  |
| Net OPEB Liability            |          |            | 11,555,072    | 2,880,487    | 196,727      | 14,238,832    | --           |  |
| Compensated Absences          |          |            | 115,486       | 10,878       | --           | 126,364       | 23,097       |  |
| Total governmental activities |          |            | \$ 89,827,141 | \$ 8,135,939 | \$ 5,883,009 | \$ 92,080,071 | \$ 5,227,348 |  |

**2. Debt Service Requirements**

Debt service requirements on long-term debt at August 31, 2019, are as follows:

| Year Ending August 31, | Governmental Activities  |               |               |                      |              |              |
|------------------------|--------------------------|---------------|---------------|----------------------|--------------|--------------|
|                        | General Obligation Bonds |               |               | Maintenance Tax Debt |              |              |
|                        | Principal                | Interest      | Total         | Principal            | Interest     | Total        |
| 2020                   | \$ 4,125,000             | \$ 2,011,969  | \$ 6,136,969  | \$ 691,016           | \$ 241,885   | \$ 932,901   |
| 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      |
| 2025-2029              | 16,200,000               | 5,723,594     | 21,923,594    | 2,241,000            | 347,603      | 2,588,603    |
| 2030-2034              | 15,130,000               | 2,683,906     | 17,813,906    | 905,000              | 40,950       | 945,950      |
| 2035-2039              | 5,355,000                | 461,200       | 5,816,200     | --                   | --           | --           |
| Totals                 | \$ 55,055,000            | \$ 17,717,894 | \$ 72,772,894 | \$ 6,642,366         | \$ 1,325,344 | \$ 7,967,710 |

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



## **TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**

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**FOR THE YEAR ENDED AUGUST 31, 2019**

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, 2019.

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.

#### **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 2019, 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) and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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.

##### **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.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

##### **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.

## TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

| <b><u>Contribution Rates</u></b>                |             |             |
|---|-------------|-------------|
|   | <b>2018</b> | <b>2019</b> |
| Member  | 7.7%        | 7.7%        |
| Non-Employer Contributing Entity (NECE - State) | 6.8%        | 6.8%        |
| Employers                                       | 6.8%        | 6.8%        |

The contribution amounts for the District's fiscal year 2019 are as follows:

|   |              |
|---|--------------|
| District's 2019 Employer Contributions    | \$ 619,867   |
| District's 2019 Member Contributions      | \$ 1,809,658 |
| 2018 NECE On-Behalf Contributions (state) | \$ 1,285,760 |

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.

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

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

and 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.

**5. Actuarial Assumptions**

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

|  |  |
|--|--|
| Valuation Date                               | August 31, 2017 rolled forward to<br>August 31, 2018 |
| Actuarial Cost Method                        | Individual Entry Age Normal                          |
| Asset Valuation Method                       | Market Value   |
| Single Discount Rate                         | 6.907%   |
| Long-term expected Investment Rate of Return | 7.25%  |
| Inflation                                    | 2.30%  |
| Salary Increases including inflation         | 3.05% to 9.05%                                       |
| Payroll Growth Rate                          | 3.00%  |
| Benefit Changes during the year              | None   |
| Ad hoc post-employment benefit changes       | None   |

The actuarial methods and assumptions are based primarily on a study of actual experience for the three year period ending August 31, 2017 and adopted in July, 2018.

**6. Discount Rate**

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on the pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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 arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

# TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

| <b>Teacher Retirement System of Texas</b><br><b>Asset Allocation and Long-Term Expected Rate of Return</b><br><b>As of August 31, 2018</b> |                          |   |   |
|--|--------------------------|---|---|
| <b>Asset Class</b>   | <b>Target Allocation</b> | <b>Long-term Expected Geometric Real Rate of Return</b> | <b>Expected Contribution to Long-term Portfolio Returns *</b> |
| <b>Global Equity</b>   |                          |   |   |
| U.S.   | 18.0%                    | 5.7%  | 1.0%  |
| Non-U.S. Developed   | 13.0%                    | 6.9%  | 0.9%  |
| Emerging Markets   | 9.0%                     | 8.9%  | 0.8%  |
| Directional Hedge Funds  | 4.0%                     | 3.5%  | 0.1%  |
| Private Equity   | 13.0%                    | 10.2%   | 1.3%  |
| <b>Stable Value</b>  |                          |   |   |
| U.S. Treasuries  | 11.0%                    | 1.1%  | 0.1%  |
| Absolute Return  | 0.0%                     | 0.0%  | 0.0%  |
| Stable Value Hedge Funds   | 4.0%                     | 3.1%  | 0.1%  |
| Cash   | 1.0%                     | -0.3%   | 0.0%  |
| <b>Real Return</b>   |                          |   |   |
| Global Inflation Linked Bonds  | 3.0%                     | 0.7%  | 0.0%  |
| Real Assets  | 14.0%                    | 5.2%  | 0.7%  |
| Energy & Natural Resources   | 5.0%                     | 7.5%  | 0.4%  |
| Commodities  | 0.0%                     | 0.0%  | 0.0%  |
| <b>Risk Parity</b>   |                          |   |   |
| Risk Parity  | 5.0%                     | 3.7%  | 0.2%  |
| Inflation Expectation  |                          |   | 2.3%  |
| Alpha  |                          |   | -0.8%   |
| <b>Total</b>   | <b>100.0%</b>            |   | <b>7.2%</b>   |

\* Target allocation are based on the FY 2016 policy model.

\*\* The expected contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

### 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 (6.907%) in measuring the Net Pension Liability.

|   | 1%<br>Decrease in<br>Discount Rate<br>5.907% | Discount<br>Rate<br>6.907% | 1%<br>Increase in<br>Discount Rate<br>7.907% |
|---|--|----------------------------|--|
| District's proportionate share of the net pension liability | \$ 15,624,545                                | \$ 10,352,593              | \$ 6,084,635                                 |

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

At August 31, 2019, the District reported a liability of \$10,352,593 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:

## TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

|  |                      |
|--|----------------------|
| District's proportionate share of the collective net pension liability | \$ 10,352,593        |
| State's proportionate share that is associated with District           | <u>21,021,291</u>    |
| Total  | <u>\$ 31,373,884</u> |

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. 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, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0188084%, which was an increase (decrease) of 0.0008516% from its proportion measured as of August 31, 2017.

#### Changes Since the Prior Actuarial Valuation -

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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

For the year ended August 31, 2019, the District recognized pension expense of \$3,631,468 and revenue of \$2,080,548 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:  
(The amounts below will be the cumulative layers from the current and prior years combined)

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|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience  | \$ 64,530                            | \$ 254,012                          |
| Changes in actuarial assumptions   | 3,732,608                            | 116,644                             |
| Difference between projected and actual investment earnings  | --                                   | 196,433                             |
| Changes in proportion and difference between the District's contributions and the proportionate share of contributions | 1,294,528                            | 131,233                             |
| Contributions paid to TRS subsequent to the measurement date<br>[to be calculated by employer]                         | 619,867                              | --                                  |
| Total  | <u>\$ 5,711,533</u>                  | <u>\$ 698,322</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<br>August 31 | Pension<br>Expense<br>Amount |
|-------------------------|------------------------------|
| 2020                    | \$ 1,192,960                 |
| 2021                    | \$ 779,579                   |
| 2022                    | \$ 657,667                   |
| 2023                    | \$ 682,087                   |
| 2024                    | \$ 642,640                   |
| Thereafter              | \$ 438,411                   |

**1. 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#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

**3. Benefits Provided**

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and

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dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. 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 the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

| TRS-Care Monthly for Retirees<br>January 1, 2018 thru December 31, 2018 |          |              |
|---|----------|--------------|
|   | Medicare | Non-Medicare |
| Retiree*  | \$ 135   | \$ 200       |
| Retiree and Spouse  | 529      | 689          |
| Retiree* and Children   | 468      | 408          |
| Retiree and Family  | 1,020    | 999          |

\* or surviving spouse

**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 percent 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                            |       |         |
|---|-------|---------|
|   | 2018  | 2019    |
| 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 2019 Employer Contributions        | \$    | 189,850 |
| District's 2019 Member Contributions          | \$    | 152,766 |
| 2018 NECE On-Behalf Contributions (state)     | \$    | 291,769 |

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers are required to pay to TRS-Care a monthly surcharge of \$535 per retiree.

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TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

**5. Actuarial Assumptions**

The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed on 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, salary increases, and general payroll growth, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in the 2018 CAFR for the Teacher Retirement System of Texas.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

|                               |                         |
|-------------------------------|-------------------------|
| 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, 2017 rolled forward to August 31, 2018  |
| Actuarial Cost Method                  | Individual Entry Age Normal  |
| Inflation                              | 2.30%  |
| Single Discount Rate *                 | 3.69% *  |
| 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. |
| Payroll Growth Rate                    | 3.00%  |
| Projected Salary Increases             | 3.05% to 9.05%, including inflation ***  |
| Healthcare Trend Rates **              | 8.50% **   |
| Election Rates                         | Normal Retirement: 70% participation prior to age 65 and 75% after age 65.   |
| Ad Hoc Post-Employment Benefit Changes | None   |

\*Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2018.

\*\*8.50% for FY2019, decreasing 0.5% per year to 4.50% for FY2027 and later years.

\*\*\* Includes inflation at 2.5%.

**6. Discount Rate**

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27% in



# TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

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 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<br>Discount Rate<br>(2.69%) | Current Single<br>Discount Rate<br>(3.69%) | 1% Increase in<br>Discount Rate<br>(4.69%) |
|--|--|--|--|
| District's proportionate share of net OPEB liability | \$ 16,949,103                              | \$ 14,238,832                              | \$ 12,094,834                              |

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

At August 31, 2019, the District reported a liability of \$14,238,832 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 | \$ 14,238,832 |
| State's proportionate share that is associated with the District    | \$ 21,147,981 |
| Total   | \$ 35,386,813 |

The Net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 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, 2017 thru August 31, 2018.

At August 31, 2018 the District's proportion of the collective net OPEB liability was 0.0285171%, which was an increase (decrease) of 0.0019453% from its proportion measured as of August 31, 2017.

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<br>Healthcare Trend<br>Rate (7.5%) | Current Single<br>Healthcare Trend<br>Rate (8.5%) | 1% Increase in<br>Healthcare Trend<br>Rate (9.5%) |
|--|---|---|---|
| District's proportionate share of net OPEB liability | \$ 11,825,582                                     | \$ 14,238,832                                     | \$ 17,417,135                                     |

### 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 since the prior measurement period:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF)

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

in 2020. This change increased the Total OPEB Liability.

- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850 / \$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis-point addition to the long term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provision or applicable law.

Changes of benefit terms that affected measurement of the total OPEB liability during the measurement period are listed below:

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended August 31, 2019, the District recognized OPEB expense of \$1,257,937 and revenue of \$769,237 for support provided by the State.

At August 31, 2019, 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:

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

|  | Deferred<br>Outflow<br>of Resources | Deferred<br>Inflow<br>of Resources |
|--|-------------------------------------|------------------------------------|
| Differences between expected and actual economic experience  | \$ 755,602                          | \$ 224,710                         |
| Changes in actuarial assumptions   | 237,608                             | 4,277,952                          |
| Differences between projected and actual investment earnings   | 2,490                               | --                                 |
| Changes in proportion and difference between the District's contributions and the proportionate share of contributions | 1,066,514                           | --                                 |
| Contributions paid to TRS subsequent to the measurement date   | 189,850                             |                                    |
| Total  | \$ 2,252,064                        | \$ 4,502,662                       |

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, | Amount       |
|-----------------------|--------------|
| 2020                  | \$ (427,733) |
| 2021                  | \$ (427,733) |
| 2022                  | \$ (427,733) |
| 2023                  | \$ (428,204) |
| 2024                  | \$ (428,473) |
| Thereafter            | \$ (300,571) |

**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, 2019, the subsidy payment received by TRS-Care on behalf of the District was \$92,039.

**J. Employee Health Care Coverage**

During the year ended August 31, 2019, 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, 2019, 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.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

**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**

As of August 31, 2019, the District was not involved in any lawsuits or other legal actions which, in Administration's opinion (based on discussions with legal counsel) would result in any direct loss to the District which would be material to its financial position.

**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, 2019, are reported on the combined financial statements as Due from Other Governments and are summarized below:

| <u>Fund</u>                      | <u>State<br/>Entitlements</u> | <u>Federal<br/>Grants</u> | <u>Other</u>    | <u>Total</u>        |
|----------------------------------|-------------------------------|---------------------------|-----------------|---------------------|
| General                          | \$ 2,255,798                  | \$ 8,558                  | \$ 2,539        | \$ 2,266,895        |
| National School<br>Lunch Program | --                            | 326,652                   |                 | 326,652             |
| Debt Service                     | 7,131                         | --                        | 319             | 7,450               |
| Other Governmental               | --                            | 486,655                   | --              | 486,655             |
| Total                            | <u>\$ 2,262,929</u>           | <u>\$ 821,865</u>         | <u>\$ 2,858</u> | <u>\$ 3,087,652</u> |

**M. Unearned Revenue**

Unearned revenue at year end consisted of the following:

| <u>Revenue Description</u> | <u>General<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Unearned<br/>Amount</u> |
|----------------------------|-------------------------|---|----------------------------|
| Grant Programs             | \$ --                   | \$ 7,455                                | \$ 7,455                   |
| Other                      | 1,560                   | 8,503                                   | 10,063                     |
| Total Unearned Revenue     | <u>\$ 1,560</u>         | <u>\$ 15,958</u>                        | <u>\$ 17,518</u>           |

**N. Fund Balances**

The following is a summary of Governmental Fund fund balances of the District at the year ended August 31, 2019:

**General Fund**

**Nonspendable:**

|               |                |
|---------------|----------------|
| Inventories   | \$ 46,413      |
| Prepaid Items | 498,075        |
|               | <u>544,488</u> |

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

|  |                      |
|--|----------------------|
| Assigned                                   |                      |
| Lawsuits/Settlements                       | 1,000,000            |
| Insurance Deductibles                      | 1,000,000            |
| Construction/Maintenance Projects          | 1,000,000            |
| Equipment                                  | 2,000                |
|  | <u>3,002,000</u>     |
| Unassigned:                                | <u>12,322,957</u>    |
| Total General Fund fund balance            | <u>15,869,445</u>    |
| Child Nutrition Fund                       |                      |
| Restricted:                                |                      |
| Child Nutrition                            | <u>1,067,398</u>     |
| Total Debt Service Fund fund balance       | <u>1,067,398</u>     |
| Debt Service Fund                          |                      |
| Restricted:                                |                      |
| Retirement of Long-Term Debt               | <u>2,099,030</u>     |
| Total Debt Service Fund fund balance       | <u>2,099,030</u>     |
| Other Governmental Funds                   |                      |
| Nonspendable:                              |                      |
| Inventories                                | <u>7,455</u>         |
| Restricted:                                |                      |
| Restricted for Capital Acquisition         | <u>680,086</u>       |
| Assigned:                                  |                      |
| Campus Activity Funds                      | <u>579,782</u>       |
| Total Other Governmental Fund fund balance | <u>1,267,323</u>     |
| Total Governmental fund balance            | <u>\$ 20,303,196</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 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

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

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   |
|         | 2018          | Limitation   | M&O Taxes   | M&O Taxes    | Payment to      | Payment to      | School District |
| Project | 2018          | Amount       | M&O Taxes   | M&O Taxes    | School District | School District | 2018            |
|         |               | 2018         | Paid 2018   | Reduced 2018 | 2018            | 2018            | (C+E+F)         |
| 1.      | \$532,193,993 | \$30,000,000 | \$351,000   | \$5,875,670  | \$626,698       | \$378,714       | \$1,356,412     |

**Project Description**

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

**P. Extraordinary Item - Other Resources**

The Extraordinary Item - Other Resources amount of \$3,001,944 is the payment received from the State of Texas for property values affected by a State of Disaster (Hurricane Harvey) under TEC, Section 42.2523. This is a one-time state revenue adjustment that was made for the 2018-2019 school year only to hold eligible school districts harmless for 100% of projected (not actual) losses in local M&O revenue.

# **TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2019**

### **Q. Restatement of Net Position**

During the year, management determined certain bond premiums and deferred amounts related to prior bond issuances were not reflected in the financial statements.

|  | Governmental<br>Activities<br>Net Position |
|--|--|
| Beginning Net Position, as previously stated             | \$ 6,956,907                               |
| Bond premiums not previously recorded                    | (1,986,474)                                |
| Deferred amounts on refunding not<br>previously recorded | 785,041                                    |
| Beginning Net Position, as restated                      | \$ 5,755,474                               |

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### *Required Supplementary Information*

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

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1

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| Data<br>Control<br>Codes                      |   | 1                | 2             | 3             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---|------------------|---------------|---------------|---|
|   |   | Budgeted Amounts |               | Actual        |   |
|   |   | Original         | Final         |               |   |
| REVENUES:                                     |   |                  |               |               |   |
| 5700  | Local and Intermediate Sources                    | \$ 33,741,662    | \$ 34,019,377 | \$ 34,501,715 | \$ 482,338  |
| 5800  | State Program Revenues                            | 5,419,523        | 5,419,523     | 6,086,660     | 667,137   |
| 5900  | Federal Program Revenues                          | 533,800          | 533,800       | 1,032,887     | 499,087   |
| 5020  | Total Revenues                                    | 39,694,985       | 39,972,700    | 41,621,262    | 1,648,562   |
| EXPENDITURES:                                 |   |                  |               |               |   |
| Current:                                      |   |                  |               |               |   |
| Instruction & Instructional Related Services: |   |                  |               |               |   |
| 0011  | Instruction                                       | 20,574,689       | 20,685,302    | 20,221,712    | 463,590   |
| 0012  | Instructional Resources and Media Services        | 405,992          | 401,980       | 401,797       | 183   |
| 0013  | Curriculum and Staff Development                  | 110,503          | 112,307       | 63,040        | 49,267  |
|   | Total Instruction & Instr. Related Services       | 21,091,184       | 21,199,589    | 20,686,549    | 513,040   |
| Instructional and School Leadership:          |   |                  |               |               |   |
| 0021  | Instructional Leadership                          | 486,349          | 476,234       | 441,074       | 35,160  |
| 0023  | School Leadership                                 | 1,988,426        | 1,955,019     | 1,949,238     | 5,781   |
|   | Total Instructional & School Leadership           | 2,474,775        | 2,431,253     | 2,390,312     | 40,941  |
| Support Services - Student (Pupil):           |   |                  |               |               |   |
| 0031  | Guidance, Counseling and Evaluation Services      | 1,314,661        | 1,343,460     | 1,293,064     | 50,396  |
| 0032  | Social Work Services                              | 1,000            | 1,000         | 950           | 50  |
| 0033  | Health Services                                   | 394,589          | 388,676       | 376,132       | 12,544  |
| 0034  | Student (Pupil) Transportation                    | 1,037,868        | 1,032,747     | 959,953       | 72,794  |
| 0036  | Cocurricular/Extracurricular Activities           | 1,698,364        | 1,740,616     | 1,670,519     | 70,097  |
|   | Total Support Services - Student (Pupil)          | 4,446,482        | 4,506,499     | 4,300,618     | 205,881   |
| Administrative Support Services:              |   |                  |               |               |   |
| 0041  | General Administration                            | 1,597,629        | 1,726,354     | 1,579,310     | 147,044   |
|   | Total Administrative Support Services             | 1,597,629        | 1,726,354     | 1,579,310     | 147,044   |
| Support Services - Nonstudent Based:          |   |                  |               |               |   |
| 0051  | Plant Maintenance and Operations                  | 5,443,649        | 5,313,015     | 5,019,782     | 293,233   |
| 0052  | Security and Monitoring Services                  | 343,009          | 317,093       | 301,341       | 15,752  |
| 0053  | Data Processing Services                          | 560,420          | 510,315       | 484,629       | 25,686  |
|   | Total Support Services - Nonstudent Based         | 6,347,078        | 6,140,423     | 5,805,752     | 334,671   |
| Ancillary Services:                           |   |                  |               |               |   |
| 0061  | Community Services                                | 300              | 300           | --            | 300   |
|   | Total Ancillary Services                          | 300              | 300           | --            | 300   |
| Debt Service:                                 |   |                  |               |               |   |
| 0071  | Principal on Long-Term Debt                       | 669,441          | 669,441       | 669,440       | 1   |
| 0072  | Interest on Long-Term Debt                        | 263,412          | 263,412       | 263,412       | --  |
| 0073  | Bond Issuance Costs and Fees                      | 400              | 400           | 400           | --  |
|   | Total Debt Service                                | 933,253          | 933,253       | 933,252       | 1   |
| Capital Outlay:                               |   |                  |               |               |   |
| 0081  | Capital Outlay                                    | 176,450          | 166,050       | 166,049       | 1   |
|   | Total Capital Outlay                              | 176,450          | 166,050       | 166,049       | 1   |
| Intergovernmental Charges:                    |   |                  |               |               |   |
| 0091  | Contracted Instr. Services Between Public Schools | 2,149,914        | 2,146,414     | 808,662       | 1,337,752   |

# TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1

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| Data<br>Control<br>Codes |  | 1                | 2             | 3             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------|--|------------------|---------------|---------------|---|
|                          |  | Budgeted Amounts |               |               |   |
|                          |  | Original         | Final         | Actual        |   |
| 0095                     | Payments to Juvenile Justice Alternative     |                  |               |               |   |
| 0095                     | Education Programs                           | 34,000           | 37,500        | 36,331        | 1,169   |
| 0099                     | Other Intergovernmental Charges              | 448,920          | 448,920       | 438,388       | 10,532  |
|                          | Total Intergovernmental Charges              | 2,632,834        | 2,632,834     | 1,283,381     | 1,349,453   |
| 6030                     | Total Expenditures                           | 39,699,985       | 39,736,555    | 37,145,223    | 2,591,332   |
| 1100                     | Excess (Deficiency) of Revenues Over (Under) |                  |               |               |   |
| 1100                     | Expenditures                                 | (5,000)          | 236,145       | 4,476,039     | 4,239,894   |
|                          | Other Financing Sources (Uses):              |                  |               |               |   |
| 7912                     | Sale of Real or Personal Property            | 5,000            | 5,000         | 4,587         | (413)   |
| 7080                     | Total Other Financing Sources and (Uses)     | 5,000            | 5,000         | 4,587         | (413)   |
|                          | EXTRAORDINARY ITEM:                          |                  |               |               |   |
| 7919                     | Extraordinary Item (Resource)                | --               | 3,000,000     | 3,001,944     | 1,944   |
| 1200                     | Net Change in Fund Balance                   | --               | 3,241,145     | 7,482,570     | 4,241,425   |
| 0100                     | Fund Balance - Beginning                     | 8,386,875        | 8,386,875     | 8,386,875     | --  |
| 3000                     | Fund Balance - Ending                        | \$ 8,386,875     | \$ 11,628,020 | \$ 15,869,445 | \$ 4,241,425  |

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**
**EXHIBIT G-2**
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**
**BUDGETARY COMPARISON SCHEDULE**
**FOR THE YEAR ENDED AUGUST 31, 2019**

| Data<br>Control<br>Codes |  | 1                | 2          | 3            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------|--|------------------|------------|--------------|---|
|                          |  | Budgeted Amounts |            |              |   |
|                          |  | Original         | Final      | Actual       |   |
|                          | <b>REVENUES:</b>                             |                  |            |              |   |
| 5700                     | <i>Local and Intermediate Sources</i>        | \$ 183,500       | \$ 326,000 | \$ 387,888   | \$ 61,888   |
| 5800                     | <i>State Program Revenues</i>                | 9,750            | 9,750      | 9,844        | 94  |
| 5900                     | <i>Federal Program Revenues</i>              | 2,480,000        | 2,660,000  | 2,689,753    | 29,753  |
| 5020                     | Total Revenues                               | 2,673,250        | 2,995,750  | 3,087,485    | 91,735  |
|                          | <b>EXPENDITURES:</b>                         |                  |            |              |   |
|                          | Current:                                     |                  |            |              |   |
|                          | Support Services - Student (Pupil):          |                  |            |              |   |
| 0035                     | <i>Food Services</i>                         | 2,624,750        | 2,947,760  | 2,528,972    | 418,788   |
|                          | Total Support Services - Student (Pupil)     | 2,624,750        | 2,947,760  | 2,528,972    | 418,788   |
|                          | Support Services - Nonstudent Based:         |                  |            |              |   |
| 0051                     | <i>Plant Maintenance and Operations</i>      | 48,500           | 48,500     | 41,796       | 6,704   |
|                          | Total Support Services - Nonstudent Based    | 48,500           | 48,500     | 41,796       | 6,704   |
| 6030                     | Total Expenditures                           | 2,673,250        | 2,996,260  | 2,570,768    | 425,492   |
| 1100                     | Excess (Deficiency) of Revenues Over (Under) |                  |            |              |   |
| 1100                     | Expenditures                                 | --               | (510)      | 516,717      | 517,227   |
|                          | Other Financing Sources (Uses):              |                  |            |              |   |
| 7912                     | <i>Sale of Real or Personal Property</i>     | --               | 510        | 509          | (1)   |
| 7080                     | Total Other Financing Sources and (Uses)     | --               | 510        | 509          | (1)   |
| 1200                     | Net Change in Fund Balance                   | --               | --         | 517,226      | 517,226   |
| 0100                     | Fund Balance - Beginning                     | 557,627          | 557,627    | 557,627      | --  |
| 3000                     | Fund Balance - Ending                        | \$ 557,627       | \$ 557,627 | \$ 1,074,853 | \$ 517,226  |

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, 2019

|   | Measurement Year Ended August 31, |                      |                      |                      |                      |
|---|-----------------------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2018                              | 2017                 | 2016                 | 2015                 | 2014                 |
| District's Proportion of the Net Pension Liability (Asset)  | 0.0188083878%                     | 0.0179568271%        | 0.0184805858%        | 0.0188781000%        | 0.0106957000%        |
| District's Proportionate Share of Net Pension Liability (Asset)   | \$ 10,352,593                     | \$ 5,741,626         | \$ 6,983,539         | \$ 6,673,157         | \$ 2,856,969         |
| States Proportionate Share of the Net Pension Liability (Asset)<br>associated with the District               | 21,021,291                        | 12,393,506           | 14,773,498           | 13,686,138           | 11,728,072           |
| Total   | <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  | \$ 23,774,796                     | \$ 22,656,661        | \$ 22,128,117        | \$ 20,359,295        | \$ 14,585,041        |
| District's Proportionate Share of the Net Pension Liability (Asset)<br>as a percentage of its Covered Payroll | 43.54%                            | 25.34%               | 31.56%               | 32.78%               | 19.59%               |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability                                    | 73.74%                            | 82.17%               | 78.00%               | 78.43%               | 83.25%               |

Note: Only five 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, 2019

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

Note: Only five 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, 2019

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

Note: Only two 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, 2019

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

Note: Only two 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, 2019**

#### **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.

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### *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, 2019

| Year Ended<br>August 31        | 1           |    | 2            |    | 3  |  |
|--------------------------------|-------------|----|--------------|----|--|--|
|                                | Tax Rates   |    |              |    | Assessed/Appraised<br>Value For School<br>Tax Purposes |  |
|                                | Maintenance |    | Debt Service |    |  |  |
| 2010 and Prior Years           | \$ Various  | \$ | Various      | \$ | Various  |  |
| 2011                           | 1.17        |    | .1622        |    | 1,449,712,425  |  |
| 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 (School Year Under Audit) | 1.17        |    | .2022        |    | 3,297,621,077  |  |
| 1000 Totals                    |             |    |              |    |  |  |

| 10<br>Beginning<br>Balance<br>9/1/18 | 20<br>Current<br>Year's<br>Total Levy | 31<br>Maintenance<br>Collections | 32<br>Debt Service<br>Collections | 40<br>Entire<br>Year's<br>Adjustments | 50<br>Ending<br>Balance<br>8/31/19 |
|--------------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|
| \$ 144,157                           | \$ --                                 | \$ 2,869                         | \$ 808                            | \$ (32,029)                           | \$ 108,451                         |
| 69,796                               | --                                    | 4,028                            | 558                               | (70)                                  | 65,140                             |
| 107,924                              | --                                    | 3,507                            | 777                               | (855)                                 | 102,785                            |
| 48,988                               | --                                    | 5,863                            | 1,446                             | (866)                                 | 40,813                             |
| 78,872                               | --                                    | 7,043                            | 1,876                             | (132)                                 | 69,821                             |
| 74,137                               | --                                    | 3,550                            | 992                               | (5,763)                               | 63,832                             |
| 113,491                              | --                                    | 10,381                           | 2,552                             | (633)                                 | 99,925                             |
| 186,999                              | --                                    | 23,046                           | 4,706                             | (6,524)                               | 152,723                            |
| 3,111,799                            | --                                    | 436,358                          | 1,018,953                         | (1,507,095)                           | 149,393                            |
| --                                   | 39,145,747                            | 32,079,647                       | 6,559,430                         | (227,257)                             | 279,413                            |
| <u>\$ 3,936,163</u>                  | <u>\$ 39,145,747</u>                  | <u>\$ 32,576,292</u>             | <u>\$ 7,592,098</u>               | <u>\$ (1,781,224)</u>                 | <u>\$ 1,132,296</u>                |

## Levies and Collections

| Fiscal Year<br>End | Levy<br>Year | Adjusted<br>Tax Levy | Current<br>Collections | Percent<br>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%             |

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)**  
**GENERAL FUND**  
**AS OF AUGUST 31, 2019**

**EXHIBIT J-2**

| Data<br>Control<br>Codes | Explanation  | Amount        |
|--------------------------|--|---------------|
| 1                        | Total General Fund Fund Balance as of August 31, 2019 (Exhibit C-1 object 3000 for the General Fund only)  | \$ 15,869,445 |
| 2                        | Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)  | 544,488       |
| 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)  | 3,002,000     |
| 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  | 6,500,000     |
| 8                        | Estimate of delayed payments from state sources (58XX)   | 2,262,929     |
| 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)   | 821,865       |
| 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)  | 13,131,282    |
| 13                       | Excess (Deficit) Unassigned General Fund Fund Balance (1-12)   | \$ 2,738,163  |

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**

**DEBT SERVICE FUND**

**BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED AUGUST 31, 2019**

| Data<br>Control<br>Codes |  | 1                 | 2                   | 3                                  |
|--------------------------|--|-------------------|---------------------|------------------------------------|
|                          |  | Budget            | Actual              | Variance<br>Positive<br>(Negative) |
|                          | <b>REVENUES:</b>                             |                   |                     |                                    |
| 5700                     | Local and Intermediate Sources               | \$ 6,614,227      | \$ 7,936,992        | \$ 1,322,765                       |
| 5800                     | State Program Revenues                       | 50,000            | 44,675              | (5,325)                            |
| 5020                     | Total Revenues                               | <u>6,664,227</u>  | <u>7,981,667</u>    | <u>1,317,440</u>                   |
|                          | <b>EXPENDITURES:</b>                         |                   |                     |                                    |
|                          | Debt Service:                                |                   |                     |                                    |
| 0071                     | Principal on Long-Term Debt                  | 3,995,000         | 3,995,000           | --                                 |
| 0072                     | Interest on Long-Term Debt                   | 2,139,794         | 2,139,794           | --                                 |
| 0073                     | Bond Issuance Costs and Fees                 | 15,000            | 5,850               | 9,150                              |
|                          | Total Debt Service                           | <u>6,149,794</u>  | <u>6,140,644</u>    | <u>9,150</u>                       |
| 6030                     | Total Expenditures                           | <u>6,149,794</u>  | <u>6,140,644</u>    | <u>9,150</u>                       |
| 1100                     | Excess (Deficiency) of Revenues Over (Under) |                   |                     |                                    |
| 1100                     | Expenditures                                 | 514,433           | 1,841,023           | 1,326,590                          |
| 1200                     | Net Change in Fund Balance                   | <u>514,433</u>    | <u>1,841,023</u>    | <u>1,326,590</u>                   |
| 0100                     | Fund Balance - Beginning                     | 258,007           | 258,007             | --                                 |
| 3000                     | Fund Balance - Ending                        | <u>\$ 772,440</u> | <u>\$ 2,099,030</u> | <u>\$ 1,326,590</u>                |

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**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, 2019, 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 December 9, 2019.

**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 cursive script that reads "Lovvorn & Kieschnick, LLP".

Lovvorn & Kieschnick, LLP

Corpus Christi, TX

December 9, 2019

**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, 2019. 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, 2019.

## 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  
December 9, 2019

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

**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 2019

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>  |
|-----------------------|--|
| 84.010A               | Title I, Part A - Improving Basic Programs |
|                       | IDEA-B Cluster                             |
| 84.027A               | IDEA-B Formula                             |
| 84.173A               | IDEA-B Preschool                           |
| 84.027A               | Evaluation Capacity Grant                  |

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, 2019**

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

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
***CORRECTIVE ACTION PLAN***  
***FOR THE YEAR ENDED AUGUST 31, 2019***

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, 2019**

**EXHIBIT K-1**

| (1)   | (2)                       | (2A)  | (3)                                   |                         |
|---|---------------------------|---|---------------------------------------|-------------------------|
| Federal Grantor/<br>Pass-Through Grantor/<br>Program or Cluster Title | Federal<br>CFDA<br>Number | Pass-<br>Through<br>Entity<br>Identifying<br>Number | Passed<br>Through to<br>Subrecipients | Federal<br>Expenditures |
| <u>U. S. Department of Defense</u>                                    |                           |   |                                       |                         |
| Passed Through State Department of Education:                         |                           |   |                                       |                         |
| DFAS NJROTC   | 12.000                    | 178-912   | \$ --                                 | \$ 67,715               |
| Total U. S. Department of Defense                                     |                           |   | --                                    | 67,715                  |
| <u>U.S. Department of Health and Human Services</u>                   |                           |   |                                       |                         |
| Passed Through Texas Health and Human Services Commission:            |                           |   |                                       |                         |
| Medicaid Administration Claiming Program                              | 93.778                    | 178-912   | --                                    | 20,161                  |
| Total U.S. Department of Health and Human Services                    |                           |   | --                                    | 20,161                  |
| <u>U. S. Department of Education</u>                                  |                           |   |                                       |                         |
| Passed Through State Department of Education:                         |                           |   |                                       |                         |
| ESEA Title I Part A - Improving Basic Programs                        | 84.010A                   | 1861010117891                                       | --                                    | 2,967                   |
| ESEA Title I Part A - Improving Basic Programs                        | 84.010A                   | 1961010117891                                       | --                                    | 599,171                 |
| Total CFDA 84.010A  |                           |   | --                                    | 602,138                 |
| IDEA-B Cluster:   |                           |   |                                       |                         |
| IDEA-B Formula  | 84.027A                   | 1866000117891                                       | --                                    | 565,761                 |
| IDEA-B Formula  | 84.027A                   | 1966000117891                                       | --                                    | 135,087                 |
| IDEA-B Preschool  | 84.173A                   | 1866100117891                                       | --                                    | 22,472                  |
| IDEA-B Preschool  | 84.173A                   | 1966100117891                                       | --                                    | 1,132                   |
| Evaluation Capacity Grant   | 84.027A                   | H027A170008   | --                                    | 7,770                   |
| Total IDEA-B Cluster  |                           |   | --                                    | 732,222                 |
| Career and Technical - Basic Grant                                    | 84.048A                   | 1942000617891                                       | --                                    | 47,126                  |
| ESEA Title II Part A - Supporting Effective Instruction               | 84.367A                   | 1969450117891                                       | --                                    | 102,985                 |
| Restart Hurricane Recovery  | 84.938A                   | 1851170117891                                       | --                                    | 161,757                 |
| Title IV, Part A, Subpart 1   | 84.424A                   | 1968010117891                                       | --                                    | 23,184                  |
| Summer School LEP   | 84.369A                   | 178-912   | --                                    | 1,252                   |
| Total Passed Through State Department of Education                    |                           |   | --                                    | 1,670,664               |
| Total U. S. Department of Education                                   |                           |   | --                                    | 1,670,664               |
| <u>U. S. Department of Agriculture</u>                                |                           |   |                                       |                         |
| Passed Through Texas Department of Agriculture:                       |                           |   |                                       |                         |
| Child Nutrition Cluster:  |                           |   |                                       |                         |
| School Breakfast Program  | 10.553                    | 099580680   | --                                    | 959,246                 |
| National School Lunch Program   | 10.555                    | 099580680   | --                                    | 1,607,707               |
| Total Child Nutrition Cluster   |                           |   | --                                    | 2,566,953               |
| Commodity Supplemental Food Program                                   | 10.565                    | 099580680   | --                                    | 122,800                 |
| Total Passed Through Texas Department of Agriculture                  |                           |   | --                                    | 2,689,753               |
| Total U. S. Department of Agriculture                                 |                           |   | --                                    | 2,689,753               |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                           |                           |   | <b>\$ --</b>                          | <b>\$ 4,448,293</b>     |

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, 2019**

Federal Assistance Reconciliation

|  |                         |
|--|-------------------------|
| Federal Grants and Contracts Revenues per Exhibit C-2                      | 5,392,052               |
| Less: School Health & Related Services (SHARS) reported in<br>General Fund | <u>(943,759)</u>        |
| Total Federal Revenues per Schedule of Expenditures of<br>Federal Awards   | <u><u>4,448,293</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.