

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2021*



**Lovvorn & Kieschnick**

CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**

**DIRECTORY OF OFFICIALS**

**AUGUST 31, 2021**

**BOARD OF TRUSTEES**

PAUL MOSTELLA	PRESIDENT
FELIX LANDIN, JR.	VICE-PRESIDENT
STEPHEN HOELSCHER	SECRETARY
JAN MOSTELLA	VICE-SECRETARY
JOHN SAMANIEGO	MEMBER
BEN BENAVIDES	MEMBER
KIMBERLY BOONE	MEMBER

**OTHER OFFICIALS**

JANICE SYKORA	INTERIM SUPERINTENDENT
PHILIP CARROLL	BUSINESS MANAGER
CATHERINE SALDANA	ASSISTANT BUSINESS MANAGER

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Tuloso-Midway Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2021

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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, 2021, at a meeting of the board of trustees of such school district on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
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 Audit of the Financial Statements**

We have audited the 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, 2021, 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 Responsibilities for the Audit of the Financial Statements**

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, 2021, 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 P to the financial statements, in 2021, Tuloso-Midway Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### **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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tuloso-Midway Independent School District's basic financial statements. The 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 February 15, 2022 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 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 Tulo-so-Midway Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

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

Lovvorn & Kieschnick, LLP

Corpus Christi, TX  
February 15, 2022

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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, 2021  
UNAUDITED**

This section of Tuloso-Midway Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

**DISTRICT HIGHLIGHTS**

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

- District Tagline: All Students Can Learn – Believe It and Achieve It
- The mission of the Tuloso-Midway Independent School District is to educate every student to be a lifelong learner, a person of integrity, and a positive contributor to society.
- District Goals include:
  - Exceed increasing academic standards by addressing the needs of each student and enable students to develop and pursue their vision for success in education, life and career
  - Recruit, retain and develop highly qualified employees with a sense of responsibility for the success of a new generation of students
  - Commit to fostering a community that will support the success of all students
  - Provide a safe, healthy and drug-free environment that promotes positive lifestyles
  - Aggressively obtain and allocate resources to facilitate optimal student achievement
  - Incorporate innovative technologies to optimize teaching, learning, and working
  - Demonstrate effective planning of maintenance, options and facilities
- T-MISD is known as the "School District of Choice in the Coastal Bend" with 539 out-of-district transfer students.
- The District operates on a year-round calendar that provides one week of intercession after each six weeks of instruction.
- The Texas Education Agency rated T-MISD as a B on the A-F Accountability scale during the 2018-2019 school year. Due to COVID-19, the Texas Education Agency suspended annual academic assessment requirements for the 2019-2020 and 2020-2021 school years.
- Annual drop-out rate for the District is less than 1%.
- T-MISD consists of 5 campuses throughout the district.
  - High School – Serves grade 9 through 12
  - Academic Career Center – Serves as an alternative high school
  - Middle School – Serves grade 6 through 9
  - Intermediate School – Serves grade 3 through 5
  - Primary School – Serves Pre-Kindergarten through 2<sup>nd</sup> grade.
- T-MISD is a large 4A school district that encompasses 415 square miles in Nueces County. Industrial (oil and gas) and agriculture provide the economic base of the district.

- The enrollment of the district decreased by 80 or 2.04%. Enrollment was 3,846, with the average daily attendance approximating 3,525.4 students daily.
- T-MISD employees approximately 658 full-time and part-time employees, including 281 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 \$535,307 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

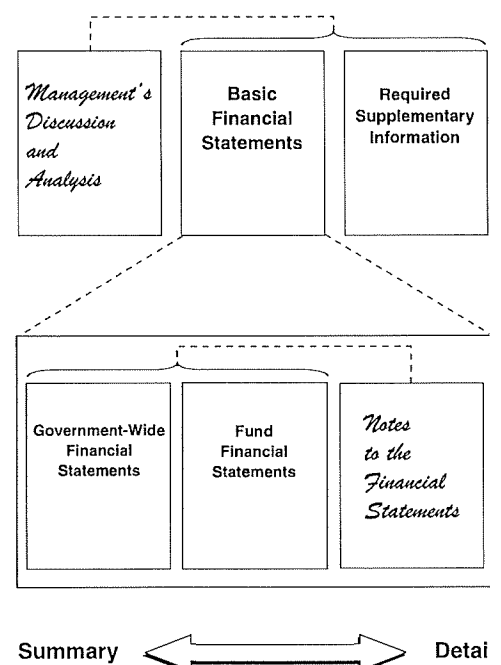
- The District's total combined net position was \$19,051,598 at August 31, 2021.
- During the year, the District's expenses were \$3,668,983 less than the \$54,413,427 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$20,968,544.

## 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 custodian* 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.

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 custodian for someone else's resources
Required financial statements	• Statement of net assets	• Balance sheet	• Statement of net assets	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses and changes in fund net assets	• Statement of changes in fiduciary net assets
			• Statement of cash flows	
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
Type 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 come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's 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

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

(continued)

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2021	2020	2021	2020	2021	2020	2021-2020
<b>Current Assets</b>							
Cash and Cash Equivalents	21,037,926	21,150,198	274,053	228,059	21,311,979	21,378,257	-0 3%
Property Taxes Receivable (Delinquent)	7,710,099	3,737,316	-	-	7,710,099	3,737,316	106 3%
Allowance for Uncollectible Taxes	(5,142,636)	(1,868,659)	-	-	(5,142,636)	(1,868,659)	175 2%
Due from Other Governments	4,192,209	1,686,834	42	-	4,192,251	1,686,834	148 5%
Other Receivables, Net	7,991	-	-	-	7,991	-	0 0%
Inventories	85,705	97,682	-	-	85,705	97,682	-12 3%
Other Current Assets	700,400	613,385	-	-	700,400	613,385	14 2%
<b>Total Current Assets</b>	<b>28,591,694</b>	<b>25,416,756</b>	<b>274,095</b>	<b>228,059</b>	<b>28,865,789</b>	<b>25,644,815</b>	<b>12 6%</b>
<b>Noncurrent Assets</b>							
Land	995,732	995,733	-	-	995,732	995,733	0 0%
Construction in Progress	31,517	5,733	-	-	31,517	5,733	449 7%
Buildings, Net	69,720,520	73,653,064	-	-	69,720,520	73,653,064	-5 3%
Furniture and Equipment, Net	2,451,520	2,729,414	-	-	2,451,520	2,729,414	-10 2%
Capital Leases, Net	89,250	115,587	-	-	89,250	115,587	-22 8%
<b>Total Noncurrent Assets</b>	<b>73,288,539</b>	<b>77,499,531</b>	<b>-</b>	<b>-</b>	<b>73,288,539</b>	<b>77,499,531</b>	<b>-5 4%</b>
<b>Total Assets</b>	<b>101,880,233</b>	<b>102,916,287</b>	<b>274,095</b>	<b>228,059</b>	<b>102,154,328</b>	<b>103,144,346</b>	<b>-1 0%</b>
<b>Deferred Outflows of Resources</b>							
Deferred Charge for Refunding	659,466	750,241	-	-	659,466	750,241	-12 1%
Deferred Outflow Related to TRS Pensions	3,500,161	4,586,222	-	-	3,500,161	4,586,222	-23 7%
Deferred Outflow Related to TRS OPEB	2,512,725	2,466,196	-	-	2,512,725	2,466,196	1 9%
<b>Total Deferred Outflows of Resources</b>	<b>6,672,352</b>	<b>7,802,659</b>	<b>-</b>	<b>-</b>	<b>6,672,352</b>	<b>7,802,659</b>	<b>-14 5%</b>
<b>Current Liabilities</b>							
Accounts Payable	603,085	1,220,528	-	-	603,085	1,220,528	-50 6%
Interest Payable	80,734	110,747	-	-	80,734	110,747	-27 1%
Accrued Liabilities	216,080	163,703	4,321	-	220,401	163,703	34 6%
Due to Other Governments	23,398	1,157,892	-	-	23,398	1,157,892	-98 0%
Due to Student Groups	-	-	-	-	-	-	0 0%
Unearned Revenue	56,044	45,185	-	-	56,044	45,185	24 0%
<b>Total Current Liabilities</b>	<b>979,341</b>	<b>2,698,055</b>	<b>4,321</b>	<b>-</b>	<b>983,662</b>	<b>2,698,055</b>	<b>-63 5%</b>
<b>Non-current Liabilities</b>							
Due Within One Year	4,978,132	4,556,254	-	-	4,978,132	4,556,254	9 3%
Due in More Than One Year	54,096,098	58,090,425	-	-	54,096,098	58,090,425	-6 9%
Net Pension Liability (District's Share)	9,066,163	9,206,147	-	-	9,066,163	9,206,147	-1 5%
Net OPEB Liability (District's Share)	10,390,863	12,650,339	-	-	10,390,863	12,650,339	-17 9%
<b>Total Liabilities</b>	<b>79,510,597</b>	<b>87,201,220</b>	<b>4,321</b>	<b>-</b>	<b>79,514,918</b>	<b>87,201,220</b>	<b>-8 8%</b>
<b>Deferred Inflows of Resources</b>							
Deferred Inflow Related to TRS Pensions	1,795,014	1,954,041	-	-	1,795,014	1,954,041	-8 1%
Deferred Inflow Related to TRS OPEB	8,465,150	6,450,842	-	-	8,465,150	6,450,842	31 2%
<b>Total Deferred Inflows of Resources</b>	<b>10,260,164</b>	<b>8,404,883</b>	<b>-</b>	<b>-</b>	<b>10,260,164</b>	<b>8,404,883</b>	<b>22 1%</b>
<b>Net Position</b>							
Net Investment in Capital Assets	16,223,358	16,852,733	-	-	16,223,358	16,852,733	-3 7%
Restricted For							
Federal and State Programs	1,546,836	824,981	-	-	1,546,836	824,981	87 5%
Debt Service	64,682	1,222,799	-	-	64,682	1,222,799	-94 7%
Unrestricted	946,948	(3,787,670)	269,774	228,059	1,216,722	(3,559,611)	-134 2%
<b>Total Net Position</b>	<b>18,781,824</b>	<b>15,112,843</b>	<b>269,774</b>	<b>228,059</b>	<b>19,051,598</b>	<b>15,340,902</b>	<b>24 2%</b>

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net position

The District's combined net position was \$19,051,599 at August 31, 2021. (See Table A-1.)

### Changes in net position

The District's total governmental revenues were \$54,413,427. A significant portion, 68%, of the District's revenue comes from taxes. 19.4% comes from state aid, while 1.2% relates to charges for services.

The total cost of all governmental programs and services was \$50,744,446.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2021-2020
	2021	2020	2021	2020	2021	2020	
<b>Program Revenues</b>							
Charges for Services	678,045	921,983	163,933	164,243	841,978	1,086,226	-22 49%
Operating Grants and Contributions	5,480,309	7,584,575	6,357	3,405	5,486,666	7,587,980	-27 69%
<b>General Revenues</b>							
Property Taxes	37,057,183	37,742,785	-	-	37,057,183	37,742,785	-1 82%
State Aid – Formula	10,562,280	6,784,537	-	-	10,562,280	6,784,537	55 68%
Investment Earnings	39,664	303,115	-	-	39,664	303,115	-86 91%
Other	595,946	466,367	-	-	595,946	466,367	27 78%
<b>Total Revenues</b>	<b>54,413,427</b>	<b>53,803,362</b>	<b>170,290</b>	<b>167,648</b>	<b>54,583,717</b>	<b>53,971,010</b>	<b>1 14%</b>
<b>Expenses</b>							
Instruction	25,558,312	27,485,778	-	-	25,558,312	27,485,778	-7 01%
Instruc I Res and Media Serv	464,600	512,512	-	-	464,600	512,512	-9 35%
Curncu Dev & Instr Staff Dev	308,482	210,391	-	-	308,482	210,391	46 62%
Instructional Leadership	1,010,315	778,551	-	-	1,010,315	778,551	29 77%
School Leadership	2,346,050	2,618,094	-	-	2,346,050	2,618,094	-10 39%
Guid , Couns and Eval Srvs	1,742,575	1,847,006	-	-	1,742,575	1,847,006	-5 65%
Social Work Services	17,583	18,652	-	-	17,583	18,652	-5 73%
Health Services	410,115	510,245	-	-	410,115	510,245	-19 62%
Student (Pupil) Transportation	1,112,223	1,177,069	-	-	1,112,223	1,177,069	-5 51%
Food Services	2,057,123	2,332,591	-	-	2,057,123	2,332,591	-11 81%
Curncular/Extracurr Activities	2,164,215	2,365,258	-	-	2,164,215	2,365,258	-8 50%
General Administration	1,873,663	1,906,315	-	-	1,873,663	1,906,315	-1 71%
Plant Maintenance & Oper	6,849,688	7,023,950	-	-	6,849,688	7,023,950	-2 48%
Security & Monitoring Services	322,047	272,408	-	-	322,047	272,408	18 22%
Data Processing Services	717,835	542,762	-	-	717,835	542,762	32 26%
Community Services	14,476	20,143	-	-	14,476	20,143	-28 13%
Debt Service	2,771,011	1,878,919	-	-	2,771,011	1,878,919	47 48%
TMPM After School Care	-	-	-	-	-	-	0 00%
Contracted Instruct Services	529,298	448,895	-	-	529,298	448,895	17 91%
Payments to Juvenile Justice	21,924	38,002	-	-	21,924	38,002	-42 31%
Other Intergovernmental	452,911	437,547	128,574	161,679	581,485	599,226	-2 96%
Other Financing Uses	-	33,031	-	-	-	33,031	-100 00%
<b>Total Expenses</b>	<b>50,744,446</b>	<b>52,458,119</b>	<b>128,574</b>	<b>161,679</b>	<b>50,873,020</b>	<b>52,619,798</b>	<b>-3 32%</b>
<b>Increase (Dec ) in Net Position</b>	<b>3,668,981</b>	<b>1,345,243</b>	<b>41,716</b>	<b>5,969</b>	<b>3,710,697</b>	<b>1,351,212</b>	<b>174 62%</b>
<b>Net Position Beginning</b>	<b>15,112,843</b>	<b>13,767,600</b>	<b>228,059</b>	<b>222,090</b>	<b>15,340,902</b>	<b>13,989,690</b>	<b>9 66%</b>
<b>Net Position Ending</b>	<b>18,781,824</b>	<b>15,112,843</b>	<b>269,775</b>	<b>228,059</b>	<b>19,051,599</b>	<b>15,340,902</b>	<b>24 19%</b>



- The cost of all *governmental* activities this year was \$50,744,446.
- However, the amount that our taxpayers paid for these activities through property taxes was \$37,057,183.
- Some of the cost was paid by those who directly benefited from the programs, \$678,045 or
- By grants and contributions \$5,480,309.

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 Tulosso-Midway Independent School District Functions

	Total Cost of Services			Net Cost of Services		
	2021	2020	% Change	2021	2020	% Change
Instruction	25,558,312	27,485,778	-7.01%	21,721,816	23,183,540	-6.31%
General Administration	1,873,663	1,906,315	-1.71%	1,738,891	1,787,405	-2.71%
Plant Maintenance & Operations	6,849,688	7,023,950	-2.48%	6,404,890	6,639,230	-3.53%
Debt Service - Interest & Fiscal Charges	2,771,011	1,878,919	47.48%	2,740,135	1,838,270	49.06%

### **Business-type Activities**

Revenues of the District's business-type activities increased \$2,642 and expenses decreased \$33,105 from the preceding year.

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

Revenues from governmental fund types totaled \$53,178,888, an increase of 3.9% 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 \$4,296,067 below final budget amounts. The most significant favorable variance in expenditures was for instruction, cocurricular activities and plant maintenance and operations.

Resources available were \$5,122 above the final budgeted amount.

(continued)

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2020-21, the District had invested \$132,541,666 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 \$403,290 or (0.30%) from last year.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2021	2020	2021	2020	2021	2020	2021-2020
Land	995,733	995,732	-	-	995,733	995,732	0 00%
Construction in Progress	31,518	5,733	-	-	31,518	5,733	449 76%
Buildings and Improvements	122,230,523	122,196,213	-	-	122,230,523	122,196,213	0 03%
Vehicles	3,727,579	3,727,579	-	-	3,727,579	3,727,579	0 00%
Equipment	5,229,465	5,692,851	-	-	5,229,465	5,692,851	-8 14%
Capital Leases	326,848	326,848	-	-	326,848	326,848	0 00%
Totals at Historical Cost	132,541,666	132,944,956	-	-	132,541,666	132,944,956	-0 30%
Total Accumulated Depreciation	(59,253,125)	(55,445,426)	-	-	(59,253,125)	(55,445,426)	6 87%
Net Capital Assets	73,288,541	77,499,530	-	-	73,288,541	77,499,530	-5 43%

### Long-Term Obligations

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

The District had the following obligations at August 31, 2021:

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2021	2020	2021	2020	2021	2020	2021-2020
Bonds Payable	52,469,379	56,881,351	-	-	52,469,379	56,881,351	-7 76%
Bond Premium	5,018,541	5,276,680	-	-	5,018,541	5,276,680	-4 89%
Accretion on Bonds	1,158,453	-	-	-	1,158,453	-	0 00%
Sub-Total	58,646,373	62,158,031	-	-	58,646,373	62,158,031	-5 65%
Capital Leases	305,203	376,254	-	-	305,203	376,254	-18 88%
Compensated Absences	122,654	112,395	-	-	122,654	112,395	9 13%
Net Pension Liability	9,066,163	9,206,147	-	-	9,066,163	9,206,147	-1 52%
Net OPEB Liability	10,390,863	12,650,339	-	-	10,390,863	12,650,339	-17 86%
Total Long-Term Obligations	78,531,256	84,503,166	-	-	78,531,256	84,503,166	-7 07%

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

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

In developing the 2021-2022 budget the effects of the following factors were again taken into consideration as they were for 2019-2020 and 2020-2021:

- Tax rate compression – eliminated the results of the tax ratification election (TRE) passed by the District's voters in September 2010. The M&O tax rate for 2019-2020 was compressed from the maximum \$1.17 to \$1.06835. The M&O tax rate for 2020-2021 was compressed again to \$1.0304 as property values for the District increased at a higher rate than the state average. Compression was not a factor for 2021-2022 with the M&O tax rate remaining \$1.0304. Before a District can seek voter approval to raise M&O rates above state calculated maximums an efficiency audit must be completed and posted on the District's website at least 30 days before the election.
- Increase in the Basic Allotment from \$5,140 to \$6,160.
- New Early Education Allotment with a 0.10 weight per ADA for each student in grades K-3 who is educationally disadvantaged or Limited English Proficient (LEP) to support implementing early literacy and mathematics proficiency plans that lead to improved third grade proficiency.
- Full day Pre-K for all eligible 4 year olds – TMISD added four additional Pre-K teachers and para-professionals each for 2019-2020. Due to lower Pre-K enrollment only 5 of 6 allocated Pre-K teacher positions were utilized during 2021-2022.
- 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 2021-2022 property values have decreased \$14.7 million (0.43% decrease) for M&O values and \$88.1 million (2.25% decrease) for I&S values.

**Recapture**

Recapture for the 2020-2021 fiscal year was originally projected to be \$544,663. The near final about is \$529,298. Projected recapture for 2021-2022 is \$497,812.

**Enrollment**

October 2021 snapshot enrollment is 3,750, a decrease of 87 students or 2.3%. The two year decrease in enrollment trend is considered to be primarily COVID-19 related.

**Chapter 313 Partner**

The manufacturing corporation M&G Resins USA, LLC has been purchased by Corpus Christi Polymers, LLC. The facility continues to be under construction and is tentatively scheduled for completion in 2023. The 2021 tax values for this property were identical to the previous two years, therefore there is no hold harmless payment due to the District during 2021-2022.

**Employee Compensation**

Due to the uncertainty of COVID-19 the only raises for 2021-2022 is a step increase for all teachers/counselors/librarians/RNs. A retention incentives of \$3,000 are budgeted for all full-time employees from ESSER (covid relief) funds.

**Debt Service Fund**

The fund balance for the Debt Service Fund as of August 31, 2021 is \$977,172, slightly off from the original estimate of \$1.2 million. This was primarily due to the withholding of tax payments to the District from its largest taxpayer, Flint Hills Resources, for tax value protests. For fiscal year 2021-2022 the I&S tax rate is increased from \$0.14509 to \$0.1504. For 2021-2022 the Debt Service Fund is projected to have revenues in excess of expenditures of approximately \$57,200.

**Food Service Fund**

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

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

**COVID-19 and 2021-2022 Budgets**

As a year round district TMISD normally starts each new school year in mid-July but due to COVID-19 TMISD started the 2020-2021 school year during the first week of August with remote only instruction. Beginning with the second grading period TMISD began offering both remote and in-person instruction. The ratio of students for both types of instruction was about 50-50.

For the final six week grading period all students returned to in-person instruction. As in the previous year there were significant savings from offering remote instruction during the year. While athletic travel was restored all other extra-curricular events remained very limited. In addition staff attrition during the year and over the summer of 2021 and continuing through the

2021-2022 year is higher than normal. Qualified applicant candidates for the increased vacant positions have been significantly lower than in previous years resulting in staff reassignments to continue to meet the instructional needs of all students.

The District has received over \$8 million in Covid relief funds through the 2023-2024 fiscal year. The Texas Education Agency provided hold-harmless relief for districts during 2019-2020 and 2020-2021 to offset the decrease in average daily attendance due to Covid. For the 2021-2022 fiscal year no hold-harmless relief is anticipated.

## **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, 2021

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
1110 Cash and Cash Equivalents	\$ 21,037,926	\$ 274,053	\$ 21,311,979
1225 Property Taxes Receivable (Net)	2,567,463	--	2,567,463
1240 Due from Other Governments	4,192,209	42	4,192,251
1290 Other Receivables (Net)	7,991	--	7,991
1300 Inventories	85,705	--	85,705
1410 Unrealized Expenses	700,400	--	700,400
Capital Assets:			
1510 Land	995,732	--	995,732
1520 Buildings and Improvements, Net	69,720,520	--	69,720,520
1530 Furniture and Equipment, Net	2,451,520	--	2,451,520
1550 Capital Lease Assets, Net	89,250	--	89,250
1580 Construction in Progress	31,517	--	31,517
1000 Total Assets	<u>101,880,233</u>	<u>274,095</u>	<u>102,154,328</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
1701 Deferred Charge for Refunding	659,466	--	659,466
1705 Deferred Outflow Related to Pensions	3,500,161	--	3,500,161
1706 Deferred Outflow Related to OPEB	2,512,725	--	2,512,725
1700 Total Deferred Outflows of Resources	<u>6,672,352</u>	<u>--</u>	<u>6,672,352</u>
<b>LIABILITIES:</b>			
2110 Accounts Payable	603,085	--	603,085
2140 Interest Payable	80,734	--	80,734
2165 Accrued Liabilities	216,080	4,321	220,401
2180 Due to Other Governments	23,398	--	23,398
2300 Unearned Revenue	56,044	--	56,044
Noncurrent Liabilities:			
2501 Due Within One Year	4,978,132	--	4,978,132
2502 Due in More Than One Year	54,096,098	--	54,096,098
2540 Net Pension Liability	9,066,163	--	9,066,163
2545 Net OPEB Liability	10,390,863	--	10,390,863
2000 Total Liabilities	<u>79,510,597</u>	<u>4,321</u>	<u>79,514,918</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
2605 Deferred Inflow Related to Pensions	1,795,014	--	1,795,014
2606 Deferred Inflow Related to OPEB	8,465,150	--	8,465,150
2600 Total Deferred Inflows of Resources	<u>10,260,164</u>	<u>--</u>	<u>10,260,164</u>
<b>NET POSITION:</b>			
3200 Net Investment in Capital Assets	16,223,358	--	16,223,358
Restricted For:			
3820 Federal and State Programs	1,546,836	--	1,546,836
3850 Debt Service	64,682	--	64,682
3900 Unrestricted	946,948	269,774	1,216,722
3000 Total Net Position	<u>\$ 18,781,824</u>	<u>\$ 269,774</u>	<u>\$ 19,051,598</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, 2021

Data Control Codes	Functions/Programs	1  Expenses	3  Program Revenues	
			Charges for Services	Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 25,558,312	\$ 13,756	\$ 3,822,740
12	Instructional Resources and Media Services	464,600	--	37,706
13	Curriculum and Staff Development	308,482	--	3,948
21	Instructional Leadership	1,010,315	--	50,739
23	School Leadership	2,346,050	--	197,634
31	Guidance, Counseling, and Evaluation Services	1,742,575	--	125,763
32	Social Work Services	17,583	--	--
33	Health Services	410,115	--	37,787
34	Student Transportation	1,112,223	--	78,452
35	Food Service	2,057,123	85,156	369,073
36	Cocurricular/Extracurricular Activities	2,164,215	564,282	68,841
41	General Administration	1,873,663	--	134,772
51	Facilities Maintenance and Operations	6,849,688	14,851	429,947
52	Security and Monitoring Services	322,047	--	17,013
53	Data Processing Services	717,835	--	55,373
61	Community Services	14,476	--	--
72	Interest on Long-term Debt	2,474,236	--	30,876
73	Bond Issuance Costs and Fees	296,775	--	--
91	Contracted Instructional Services between Schools	529,298	--	19,645
95	Payments to Juvenile Justice Alternative Ed. Programs	21,924	--	--
99	Other Intergovernmental Charges	452,911	--	--
TG	Total Governmental Activities	<u>50,744,446</u>	<u>678,045</u>	<u>5,480,309</u>
	Business-type Activities:			
01	After School Care	128,574	163,933	6,357
TB	Total Business-type Activities	<u>128,574</u>	<u>163,933</u>	<u>6,357</u>
TP	Total Primary Government	<u>\$ 50,873,020</u>	<u>\$ 841,978</u>	<u>\$ 5,486,666</u>
	General Revenues:			
MT	Property Taxes, Levied for General Purposes			
DT	Property Taxes, Levied for Debt Service			
	Chapter 313 Payments			
IE	Investment Earnings			
GC	Grants and Contributions Not Restricted to Specific Programs			
MI	Miscellaneous			
	Sale of Real or Personal Property			
TR	Total General Revenues			
CN	Change in Net Position			
NB	Net Position - Beginning			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (21,721,816)		\$ (21,721,816)
(426,894)		(426,894)
(304,534)		(304,534)
(959,576)		(959,576)
(2,148,416)		(2,148,416)
(1,616,812)		(1,616,812)
(17,583)		(17,583)
(372,328)		(372,328)
(1,033,771)		(1,033,771)
(1,602,894)		(1,602,894)
(1,531,092)		(1,531,092)
(1,738,891)		(1,738,891)
(6,404,890)		(6,404,890)
(305,034)		(305,034)
(662,462)		(662,462)
(14,476)		(14,476)
(2,443,360)		(2,443,360)
(296,775)		(296,775)
(509,653)		(509,653)
(21,924)		(21,924)
(452,911)		(452,911)
<u>(44,586,092)</u>		<u>(44,586,092)</u>
--	\$ 41,716	41,716
--	41,716	41,716
<u>(44,586,092)</u>	<u>41,716</u>	<u>(44,544,376)</u>
31,848,668	--	31,848,668
5,208,515	--	5,208,515
361,530	--	361,530
39,664	--	39,664
10,562,280	--	10,562,280
230,655	--	230,655
3,763	--	3,763
<u>48,255,075</u>	<u>--</u>	<u>48,255,075</u>
3,668,983	41,716	3,710,699
15,112,841	228,058	15,340,899
<u>\$ 18,781,824</u>	<u>\$ 269,774</u>	<u>\$ 19,051,598</u>

# TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2021

Data Control Codes	10	
	General Fund	ESSER II
<b>ASSETS:</b>		
1110 Cash and Cash Equivalents	\$ 16,716,123	\$ --
1225 Taxes Receivable, Net	2,240,766	--
1240 Due from Other Governments	1,302,175	1,468,392
1260 Due from Other Funds	2,665,965	--
1290 Other Receivables	7,991	--
1300 Inventories	76,082	--
1410 Unrealized Expenditures	700,400	--
1000 Total Assets	<u>23,709,502</u>	<u>1,468,392</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2110 Accounts Payable	\$ 260,146	\$ --
2150 Payroll Deductions and Withholdings	5,364	--
2160 Accrued Wages Payable	205,360	--
2170 Due to Other Funds	--	1,468,392
2180 Due to Other Governments	20,666	--
2200 Accrued Expenditures	5,356	--
2300 Unearned Revenue	3,300	--
2000 Total Liabilities	<u>500,192</u>	<u>1,468,392</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
2601 Unavailable Revenue - Property Taxes	<u>2,240,766</u>	<u>--</u>
2600 Total Deferred Inflows of Resources	<u>2,240,766</u>	<u>--</u>
<b>FUND BALANCES:</b>		
Nonspendable Fund Balances:		
3410 Inventories	76,082	--
3430 Prepaid Items	700,400	--
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	--	--
3480 Retirement of Long-Term Debt	--	--
3490 Other Restrictions of Fund Balance	--	--
Assigned Fund Balances:		
3570 Capital Expenditures for Equipment	150,981	--
3590 Other Assigned Fund Balance	3,320,872	--
3600 Unassigned	<u>16,720,209</u>	<u>--</u>
3000 Total Fund Balances	<u>20,968,544</u>	<u>--</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 23,709,502</u>	<u>\$ 1,468,392</u>

The accompanying notes are an integral part of this statement.

## EXHIBIT C-1

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 979,712	\$ 2,317,954	\$ 20,013,789
326,697	--	2,567,463
192	1,421,450	4,192,209
--	--	2,665,965
--	--	7,991
--	9,623	85,705
--	--	700,400
<u>1,306,601</u>	<u>3,749,027</u>	<u>30,233,522</u>
\$ --	\$ 251,354	\$ 511,500
--	--	5,364
--	--	205,360
--	1,197,573	2,665,965
2,732	--	23,398
--	--	5,356
--	52,744	56,044
<u>2,732</u>	<u>1,501,671</u>	<u>3,472,987</u>
326,697	--	2,567,463
<u>326,697</u>	<u>--</u>	<u>2,567,463</u>
--	9,623	85,705
--	--	700,400
--	1,537,213	1,537,213
977,172	--	977,172
--	124,855	124,855
--	--	598,946
--	575,665	3,830,181
--	--	16,338,600
<u>977,172</u>	<u>2,247,356</u>	<u>24,193,072</u>
\$ <u>1,306,601</u>	\$ <u>3,749,027</u>	\$ <u>30,233,522</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, 2021**

Total fund balances - governmental funds balance sheet \$ 24,193,072

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.	73,288,539
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,567,463
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	932,552
Payables for bond principal which are not due in the current period are not reported in the funds.	(52,469,379)
Payables for capital leases which are not due in the current period are not reported in the funds.	(305,203)
Payables for bond interest which are not due in the current period are not reported in the funds.	(80,734)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(122,654)
Deferred charge for refundings expended in the funds, but is amortized in the statement of net position.	659,466
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(9,066,163)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,795,014)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	3,500,161
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(1,158,453)
Bond premiums are amortized in the SNA but not in the funds.	(5,018,541)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(10,390,863)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(8,465,150)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	2,512,725

Net position of governmental activities - Statement of Net Position \$ 18,781,824

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, 2021

		10	
Data Control Codes		General Fund	ESSER II
REVENUES:			
5700	Local and Intermediate Sources	\$ 31,783,125	\$ --
5800	State Program Revenues	8,184,095	--
5900	Federal Program Revenues	1,172,808	1,891,902
5020	Total Revenues	41,140,028	1,891,902
EXPENDITURES:			
Current:			
0011	Instruction	19,433,008	1,891,902
0012	Instructional Resources and Media Services	398,842	--
0013	Curriculum and Staff Development	119,406	--
0021	Instructional Leadership	595,828	--
0023	School Leadership	2,028,150	--
0031	Guidance, Counseling, and Evaluation Services	1,341,571	--
0033	Health Services	369,501	--
0034	Student Transportation	861,711	--
0035	Food Service	--	--
0036	Cocurricular/Extracurricular Activities	1,437,411	--
0041	General Administration	1,703,540	--
0051	Facilities Maintenance and Operations	5,640,075	--
0052	Security and Monitoring Services	305,950	--
0053	Data Processing Services	764,135	--
0061	Community Services	--	--
0071	Principal on Long-term Debt	788,018	--
0072	Interest on Long-term Debt	240,586	--
0073	Bond Issuance Costs and Fees	65,601	--
0081	Capital Outlay	52,073	--
0091	Contracted Instructional Services		
0091	Between Public Schools	529,298	--
0095	Payments to Juvenile Justice Alternative		
0095	Education Programs	21,924	--
0099	Other Intergovernmental Charges	452,911	--
6030	Total Expenditures	37,149,539	1,891,902
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	3,990,489	--
Other Financing Sources and (Uses):			
7911	Capital-Related Debt Issued (Regular Bonds)	4,005,000	--
7912	Sale of Real or Personal Property	3,202	--
7916	Premium on Issuance of Bonds	--	--
8949	Payment to Escrow Agent	(3,952,502)	--
7080	Total Other Financing Sources and (Uses)	55,700	--
1200	Net Change in Fund Balances	4,046,189	--
0100	Fund Balances - Beginning	16,922,355	--
3000	Fund Balances - Ending	\$ 20,968,544	\$ --

The accompanying notes are an integral part of this statement.



50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 5,132,972	\$ 752,175	\$ 37,668,272
30,876	65,065	8,280,036
--	4,165,870	7,230,580
<u>5,163,848</u>	<u>4,983,110</u>	<u>53,178,888</u>
--	1,230,971	22,555,881
--	--	398,842
--	181,859	301,265
--	283,352	879,180
--	25,725	2,053,875
--	167,009	1,508,580
--	--	369,501
--	--	861,711
--	1,795,961	1,795,961
--	436,871	1,874,282
--	14,400	1,717,940
--	691,985	6,332,060
--	--	305,950
--	--	764,135
--	11,228	11,228
3,770,000	--	4,558,018
1,501,240	--	1,741,826
231,174	--	296,775
--	--	52,073
--	--	529,298
--	--	21,924
--	--	452,911
<u>5,502,414</u>	<u>4,839,361</u>	<u>49,383,216</u>
<u>(338,566)</u>	<u>143,749</u>	<u>3,795,672</u>
16,314,996	--	20,319,996
--	561	3,763
1,367,276	--	1,367,276
(17,453,610)	--	(21,406,112)
<u>228,662</u>	<u>561</u>	<u>284,923</u>
(109,904)	144,310	4,080,595
1,087,076	2,103,046	20,112,477
<u>\$ 977,172</u>	<u>\$ 2,247,356</u>	<u>\$ 24,193,072</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, 2021**

Net change in fund balances - total governmental funds	\$ 4,080,595
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	228,948
The depreciation of capital assets used in governmental activities is not reported in the funds.	(4,428,815)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(11,124)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	698,805
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,486,968
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	71,050
The accretion of interest on capital appreciation bonds is not reported in the funds.	(1,158,453)
(Increase) decrease in accrued interest from beginning of period to end of period.	30,013
The net revenue (expense) of internal service funds is reported with governmental activities.	84,240
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(10,259)
Amortization of bond premium and deferred amount is an expense in the SOA but not the funds.	386,668
Payment to escrow agent on refunding bonds are not reported as an other financing use in the SOA.	21,406,112
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(20,319,996)
Bond premiums are reported in the funds but not in the SOA.	(1,367,276)
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(800,190)
The District's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	291,697
Change in net position of governmental activities - Statement of Activities	\$ <u>3,668,983</u>

The accompanying notes are an integral part of this statement.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT****STATEMENT OF NET POSITION****PROPRIETARY FUNDS****AUGUST 31, 2021**

Data Control Codes		Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
		After School Care	Insurance Fund
<b>ASSETS:</b>			
Current Assets:			
1110	Cash and Cash Equivalents	\$ 274,053	\$ 1,024,137
Receivables:			
1240	Due from Other Governments	42	--
	Total Current Assets	274,095	1,024,137
1000	Total Assets	274,095	1,024,137
<b>LIABILITIES:</b>			
Current Liabilities:			
2110	Accounts Payable	\$ --	\$ 91,585
2160	Accrued Wages Payable	4,321	--
	Total Current Liabilities	4,321	91,585
2000	Total Liabilities	4,321	91,585
<b>NET POSITION:</b>			
3900	Unrestricted	269,774	932,552
3000	Total Net Position	\$ 269,774	\$ 932,552

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, 2021**

Data Control Codes		Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
		After School Care	Insurance Fund
	<b>OPERATING REVENUES:</b>		
5700	<i>Local and Intermediate Sources</i>	\$ 163,933	\$ 263,400
5800	<i>State Program Revenues</i>	6,357	--
5020	Total Revenues	<u>170,290</u>	<u>263,400</u>
	<b>OPERATING EXPENSES:</b>		
6100	<i>Payroll Costs</i>	127,030	--
6200	<i>Professional and Contracted Services</i>	--	55,294
6300	<i>Supplies and Materials</i>	1,245	--
6400	<i>Other Operating Costs</i>	--	123,866
6600	<i>Capital Outlay - Land, Buildings and Equipment</i>	299	--
6030	Total Expenses	<u>128,574</u>	<u>179,160</u>
1300	Change in Net Position	41,716	84,240
0100	Total Net Position - Beginning	228,058	848,312
3300	Total Net Position - Ending	<u>\$ 269,774</u>	<u>\$ 932,552</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, 2021

	Enterprise Funds	
	After School Care	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>		
<i>Cash Received from Customers</i>	\$ 163,933	\$ --
<i>Cash Received from Grants</i>	6,315	--
<i>Cash Receipts (Payments) for Quasi-external         Operating Transactions with Other Funds</i>	--	263,400
<i>Cash Payments to Employees for Services</i>	(127,030)	--
<i>Cash Payments to Other Suppliers for Goods and Services</i>	2,777	(203,855)
<i>Other Operating Cash Receipts (Payments)</i>	--	--
Net Cash Provided (Used) by Operating Activities	<u>45,995</u>	<u>59,545</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	45,995	59,545
Cash and Cash Equivalents at Beginning of Year	228,059	964,591
Cash and Cash Equivalents at End of Year	<u>\$ 274,053</u>	<u>\$ 1,024,137</u>
 <b>Reconciliation of Operating Income to Net Cash     Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 41,716	\$ 84,240
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
<i>Depreciation</i>	--	--
Change in Assets and Liabilities:		
<i>Decrease (Increase) in Receivables</i>	(42)	--
<i>Decrease (Increase) in Prepaid Expenses</i>	--	--
<i>Increase (Decrease) in Accounts Payable</i>	--	(24,695)
<i>Increase (Decrease) in Accrued Wages Payable</i>	--	--
<i>Increase (Decrease) in Accrued Expenses</i>	4,321	--
<i>Increase (Decrease) in Unearned Revenue</i>	--	--
Total Adjustments	<u>4,279</u>	<u>(24,695)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 45,995</u>	<u>\$ 59,545</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, 2021**

Data Control Codes		Custodial Fund
		Student Activity
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 107,491
1000	Total Assets	<u>107,491</u>
<b>LIABILITIES:</b>		
2000	Total Liabilities	<u>--</u>
<b>NET POSITION:</b>		
3800	<i>Restricted for Student Activities</i>	\$ 107,491
3000	Total Net Position	<u><u>\$ 107,491</u></u>

The accompanying notes are an integral part of this statement.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS****FOR THE YEAR ENDED AUGUST 31, 2021**

	Custodial Funds Student Activity
<b>ADDITIONS:</b>	
Student Group Fundraising Activities	\$ 20,894
Contributions/Gifts	8,159
Student Club Fees/Dues	65,850
Commissions	2,176
Total Additions	<u>97,079</u>
<b>DEDUCTIONS:</b>	
Student Activities	<u>125,807</u>
Total Deductions	<u>125,807</u>
<b>Change in Fiduciary Net Position</b>	(28,728)
Net Position-Beginning of the Year (Restated)	136,219
Net Position-End of the Year	<u><u>\$ 107,491</u></u>

The accompanying notes are an integral part of this statement.

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**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

**A. Summary of Significant Accounting Policies**

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

**1. Reporting Entity**

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

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

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

**Fund Financial Statements:** The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

**General Fund:** This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

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

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

related debt service expenditures for bonded debt.

ESSER II: This fund is used to account for money received to address the areas most impacted by disruption and closure of school caused by COVID-19.

The District reports the following non-major enterprise funds:

After-School Care: This fund is used to account for the District's activity associated with providing care for students in an after school program.

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: these funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or custodial 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.

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

b. Property Taxes

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

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

d. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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

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

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2021**

recognized as an inflow of resources (revenue) until that time.

**f. Receivable and Payable Balances**

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

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 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

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

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

k. Net Position Flow Assumption

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

l. Fund Balance Flow Assumptions

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

4. Pensions

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

At August 31, 2021, the District reported the following:

Net Pension Asset	\$	
Net Pension Liability	\$	9,066,163

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

GASB Statement No. 84, *Fiduciary Activities*

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This statement establishes standards of accounting and financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

*GASB Statement No. 90, Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

*GASB Statement No. 92, Omnibus 2020*

Although the effective date for the majority of GASB Statement No. 92, Omnibus 2020 has been postponed by GASB Statement No. 95 for one year, the District has adopted paragraph 11 of Statement 92 with respect to reinsurance recoveries. Paragraph 11 states that "amounts that (a) are recoverable from reinsurers or excess insurers and (b) relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be. The District has also adopted paragraph 13 of Statement 92 in regards to changing all uses of the terms *derivative* and *derivatives* in existing standards to *derivative instrument* and *derivative instruments*, respectively. The provisions in paragraphs 11 and 13 were excluded from the scope of Statement 95 because paragraph 11 retains the reporting option, and thus only clarifies that an option exists, and paragraph 13 imposes no burden on the District. As such, this statement does not impact the District.

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

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

**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

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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, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$523,887 and the bank balance was \$1,250,943. The District's cash deposits at August 31, 2021 and during the year ended August 31, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

As of August 31, 2021 the District had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>			
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 2</u>	<u>2 to 3</u>
Investment Pools:				
Investment in TexPool	\$ 207,311	\$ 207,311	\$ --	\$ --
Investment in Lone Star Pool	17,583,200	17,583,200	--	--
Investment in LOGIC	1,883,943	1,883,943	--	--
Investment in Texas Class	1,221,129	1,221,129	--	--
Total Fair Value	<u>\$ 20,895,583</u>	<u>\$ 20,895,583</u>	<u>\$ --</u>	<u>\$ --</u>

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

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

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

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

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

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

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

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

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

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

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

Limitations exist for wire transfers in this way: A Wire Transfer to or from Lone Star or TexPool requires two signatures from authorized representatives in order to be processed.

#### **D. Capital Assets**

Capital asset activity for the year ended August 31, 2021, was as follows:



# TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 995,733	\$ --	\$ --	\$ 995,733
Construction in progress	5,733	25,785	--	31,518
Total capital assets not being depreciated	<u>1,001,466</u>	<u>25,785</u>	<u>--</u>	<u>1,027,251</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	122,196,213	34,310	--	122,230,523
Equipment	5,692,851	168,854	632,240	5,229,465
Vehicles	3,727,579	--	--	3,727,579
Capital Leases	326,848	--	--	326,848
Total capital assets being depreciated	<u>131,943,491</u>	<u>203,164</u>	<u>632,240</u>	<u>131,514,415</u>
Less accumulated depreciation for:				
Buildings and improvements	(48,543,149)	(3,966,854)	--	(52,510,003)
Equipment	(4,412,018)	(240,082)	(621,116)	(4,030,984)
Vehicles	(2,278,998)	(195,542)	--	(2,474,540)
Capital Leases	(211,261)	(26,337)	--	(237,598)
Total accumulated depreciation	<u>(55,445,426)</u>	<u>(4,428,815)</u>	<u>(621,116)</u>	<u>(59,253,125)</u>
Total capital assets being depreciated, net	<u>76,498,065</u>	<u>(4,225,651)</u>	<u>11,124</u>	<u>72,261,290</u>
Governmental activities capital assets, net	<u>\$ 77,499,531</u>	<u>\$ (4,199,866)</u>	<u>\$ 11,124</u>	<u>\$ 73,288,541</u>

Depreciation was charged to functions as follows:

Instruction	\$ 2,384,243
Instructional Resources and Media Services	54,838
Curriculum and Staff Development	2,674
Instructional Leadership	102,704
School Leadership	225,849
Guidance, Counseling, & Evaluation Services	186,506
Social Work Services	17,583
Health Services	27,959
Student Transportation	230,355
Food Services	289,094
Extracurricular Activities	259,764
General Administration	132,592
Plant Maintenance and Operations	500,718
Security and Monitoring Services	13,736
Data Processing Services	10
Community Services	190
	<u>\$ 4,428,815</u>

### E. Interfund Balances and Activities

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

Balances due to and due from other funds at August 31, 2021, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	ESSER II	\$ 1,468,392	Short-term loans
General Fund	Other Governmental Funds	1,197,573	Short-term loans
	Total	<u>\$ 2,665,965</u>	

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

2. Transfers To and From Other Funds

There were no transfers to and from other funds at August 31, 2021.

F. Long-Term Obligations

1. Long-Term Obligation Activity

On November 18, 2020, the District issued Unlimited Tax Refunding Bonds, series 2020 totaling \$16,614,996 with an interest rate of 1.56% to advance refund portions of Unlimited Tax School Building Bonds, Series 2012, 2013 and 2014. The net proceeds of \$17,453,610 (after payment of \$225,608 in issuance costs) were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, \$5,925,000 of Unlimited Tax School Building Bonds, series 2012, \$4,715,000 of Unlimited Tax School Building Bonds, Series 2013 and \$5,675,000 of Unlimited Tax School Building Bonds, series 2014 are considered to be defeased and the liability for those bonds have been removed from long-term debt. The District advanced refunded the Unlimited Tax School Building Bonds, series 2012, 2013 and 2014 to reduce its total debt service payments over 14 years by \$1,834,011 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,630,239.

On August 5, 2021, the District issued Limited Tax Refunding Bonds, series 2021 totaling \$4,005,000 with an interest rate of 1.36% to advance refund the Maintenance Tax Notes, series 2016. The net proceeds of \$3,939,362 (after payment of \$65,200 in issuance costs) were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, \$3,930,000 of Maintenance Tax Notes, series 2016 are considered defeased and the liability for those bonds have been removed from long-term debt. The District advanced refunded the Maintenance Tax Notes, series 2016 to reduce its total debt service payments over 10 years by \$419,033 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$385,075.

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended 2021, Tuloso-Midway Independent School District, are as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/20	Issued	Retired	Amounts Outstanding 8/31/21	Amounts Due Within One Year
Maintenance Tax Notes							
Series, 2008	4.38%	2,649,941	667,351	--	212,968	454,383	222,313
Unlimited Tax School Building & Refunding Bonds	3.00% to						
Series 2009	5.00%	5,638,700	105,000	--	105,000	--	--
Unlimited Tax School Building Bonds	2.00% to						
Series 2012	3.375%	9,530,000	6,375,000	--	6,375,000	--	--
Unlimited Tax School Building Bonds	2.00% to						
Series 2013	5.00%	15,300,000	6,060,000	--	5,375,000	685,000	685,000

# TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

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Unlimited Tax School							
Building Bonds	2.00% to						
Series 2014	4.00%	9,380,000	7,510,000	--	6,115,000	1,395,000	450,000
Limited Tax							
Refunding Bonds							
Series 2014	2.31%	2,002,000	1,049,000	--	199,000	850,000	206,000
Unlimited Tax							
Refunding Bonds	2.00% to						
Series 2014	4.00%	7,645,000	2,490,000	--	375,000	2,115,000	385,000
Unlimited Tax							
Refunding Bonds	2.00% to						
Series 2015	4.00%	5,615,000	3,355,000	--	645,000	2,710,000	670,000
Unlimited Tax							
Refunding Bonds	2.00% to						
Series 2016	5.00%	11,125,000	10,195,000	--	380,000	9,815,000	395,000
Maintenance Tax							
Notes	3.00% to						
Series, 2016	5.00%	5,310,000	4,235,000	--	4,235,000	--	--
Unlimited Tax							
Refunding Bonds	2.00% to						
Series 2017	4.00%	7,810,000	6,820,000	--	300,000	6,520,000	310,000
Unlimited Tax							
Refunding Bonds	3.00% to						
Series 2017-A	4.00%	8,220,000	8,020,000	--	25,000	7,995,000	135,000
Unlimited Tax							
Refunding Bonds	0.76% to						
Series 2020	4.00%	16,314,996	--	16,314,996	390,000	15,924,996	630,000
Limited Tax							
Refunding Bonds							
Series 2021	1.36%	4,005,000	--	4,005,000	--	4,005,000	380,000
			<u>56,881,351</u>	<u>20,319,996</u>	<u>24,731,968</u>	<u>52,469,379</u>	<u>4,468,313</u>
Capital Leases			376,254	--	71,051	305,203	74,402
Accretion on Bonds			--	1,158,453	--	1,158,453	--
Bond Premium			5,276,680	1,367,276	1,625,415	5,018,541	435,417
Net Pension Liability			9,206,147	558,460	698,444	9,066,163	--
Net OPEB Liability			12,650,339	(2,051,719)	207,757	10,390,863	--
Compensated Absences			112,395	10,259	--	122,654	--
Total governmental activities			<u>\$ 84,503,166</u>	<u>\$ 21,362,725</u>	<u>\$ 27,334,635</u>	<u>\$ 78,531,256</u>	<u>\$ 4,978,132</u>

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**2. Debt Service Requirements**

Debt service requirements on long-term debt at August 31, 2021, are as follows:

Year Ending August 31,	Governmental Activities					
	General Obligation Bonds			Limited Tax Debt		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 3,660,000	\$ 1,467,794	\$ 5,127,794	\$ 808,313	\$ 89,392	\$ 897,705
2023	2,609,996	2,512,948	5,122,944	820,069	71,957	892,026
2024	3,890,000	1,246,407	5,136,407	600,000	51,720	651,720
2025	3,505,000	1,108,806	4,613,806	611,000	41,449	652,449
2026	3,610,000	1,004,369	4,614,369	400,000	33,592	433,592
2027-2031	16,275,000	3,545,982	19,820,982	2,070,000	85,136	2,155,136
2032-2036	11,005,000	1,364,125	12,369,125	--	--	--
2067-2039	2,605,000	123,300	2,728,300	--	--	--
Totals	<u>\$ 47,159,996</u>	<u>\$ 12,373,731</u>	<u>\$ 59,533,727</u>	<u>\$ 5,309,382</u>	<u>\$ 373,246</u>	<u>\$ 5,682,628</u>

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

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

The District had \$15,670,000 in defeased bonds outstanding at August 31, 2021.

Tuloso-Midway Independent School District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Events Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC rule 15c2-12 to enable investors to analyze the financial condition and operations of Tuloso-Midway Independent School District.

**3. Capital Leases**

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

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of 2021, Tuloso-Midway Independent School District, as follows:

<u>Year Ending 2021:</u>	
2022	86,935
2023	86,935
2024	86,935
2025	72,833
Total	\$ 333,638
Less amount representing interest	(28,434)
Present value of future minimum lease payments	<u>\$ 305,204</u>

The effective interest rate on capital leases is 4.5966%

**G. Risk Management**

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2021, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and

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there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

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

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard workload 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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2020.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf), selecting About TRS or 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 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

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

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

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6

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percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.

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

<b><u>Contribution Rates</u></b>		
	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
District's 2021 Employer Contributions	\$ 689,997	
District's 2021 Member Contributions	\$ 1,867,978	
2020 NECE On-Behalf Contributions (state)	\$ 1,542,275	

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 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

## 5. Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

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Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%
Last year ending August 31 in Projection Period	2119
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions, please see the actuarial valuation report dated November 14, 2019.

**6. Discount Rate**

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

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

The long-term rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2020 are summarized below:

<b>Asset Class</b>	<b>Target Allocation *</b>	<b>Long-Term Expected Arithmetic Real Rate of Return **</b>	<b>Expected Contribution to Long-Term Portfolio Returns</b>
<b>Global Equity</b>			
USA	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
<b>Stable Value</b>			
Government Bonds	16.00%	(0.70)%	(0.05)%
Stable Value Hedge Funds	5.00%	1.90%	0.11%
<b>Real Return</b>			
Real Estate	15.00%	4.60%	1.01%
Energy, Natural Resources and Infrastructure	6.00%	6.00%	0.42%

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<b>Risk Parity</b>			
Risk Parity	8.00%	3.00%	0.30%
<b>Leverage</b>			
Cash	2.00%	1.50%	(0.03)%
Asset Allocation Leverage	(6.00%)	1.30%	0.08%
<b>Inflation Expectation</b>			2.00%
<b>Volatility Drag ***</b>	-		(0.67)%
<b>Total</b>	<b>100.0%</b>		<b>7.33%</b>

\* Target allocations are based on the FY2020 policy model.  
\*\* Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020)  
\*\*\* The volatility drag results from the conversion between arithmetic and geometric mean returns.

7. Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using a discount rate of 7.25 percent, and what the net position liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	\$ 13,979,861	\$ 9,066,163	\$ 5,073,891

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

At August 31, 2021, the District reported a liability of \$9,066,163 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 9,066,163
State's proportionate share that is associated with District	20,019,553
<b>Total</b>	<b>\$ 29,085,716</b>

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.01692776% which was an increase (decrease) of -0.0007821159% from its proportion measured as of August 31, 2019.

9. Changes Since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2021, the District recognized pension expense of \$3,884,955 and revenue of \$2,407,908 for support provided by the State.



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At August 31, 2021, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 16,554	\$ 253,013
Changes in actuarial assumptions	2,103,672	894,467
Difference between projected and actual investment earnings	183,536	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	506,402	647,534
Contributions paid to TRS subsequent to the measurement date	689,997	--
Total	<u>\$ 3,500,161</u>	<u>\$ 1,795,014</u>

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

Year ended August 31,	Pension Expense Amount
2022	\$ 398,435
2023	\$ 391,077
2024	\$ 353,691
2025	\$ 55,900
2026	\$ (165,787)
Thereafter	\$ (18,166)

**I. Defined Other Post-Employment Benefit Plans**

**1. Plan Description**

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

**2. OPEB Plan Fiduciary Net Position**

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2020.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf), selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

**3. Benefits Provided**

TRS-Care provides health insurance coverage to retirees from public and charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent

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coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

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

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

**4. Contributions**

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. 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	
	Rate
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding *	1.25%
Total	
* Contributions paid from federal funds and private grants are remitted by the employer and paid at the State rate.	

District's 2021 Employer Contributions	\$ 196,873
District's 2021 Member Contributions	\$ 157,687
2020 NECE On-Behalf Contributions (state)	\$ 279,172

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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 TRS Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

**5. Actuarial Assumptions**

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

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

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Salary Increases
Rates of Disability	

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

**Additional Actuarial Methods and Assumptions:**

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	4.50% to 4.25%
Election Rates	Normal Retirement: 65% participation prior to age 65 and 45% participation after age 65.
Ad Hoc Post-Employment Benefit Changes	None

**6. Discount Rate**

A single discount rate of 2.33 percent was used to measure the total OPEB liability. This was a decrease of .30 percent in the discount rate since the previous year. Because the plan is essentially a pay-as-you-go plan, the

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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 used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

### 7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of net OPEB liability	\$ 12,469,012	\$ 10,390,863	\$ 8,749,424

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

At August 31, 2021, the District reported a liability of \$10,390,863 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	\$ 10,390,863
State's proportionate share that is associated with the District	\$ 13,962,829
Total	\$ 24,353,692

The Net OPEB liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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, 2019 thru August 31, 2020.

At August 31, 2020 the District's proportion of the collective net OPEB liability was 0.0273339344% which was an increase (decrease) of 0.0005840688% from its proportion measured as of August 31, 2019.

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of net OPEB liability	\$ 8,488,004	\$ 10,390,863	\$ 12,925,202

### 9. Changes Since the Prior Actuarial Valuation

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

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drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2021, the subsidy payment received by TRS-Care on behalf of the District was \$107,645.

**J. Employee Health Care Coverage**

During the year ended August 31, 2021, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$235 per pay period per employee 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, 2021, and terms of coverage and premium costs are included in the contractual provisions.

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

**K. Commitments and Contingencies**

**1. Contingencies**

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**2. Litigation**

At August 31, 2021, 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, 2021, are reported on the combined financial statements as Due from Other Governments and are summarized below:

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>	<u>Business-type Activities</u>
General	\$ 1,293,492	\$ 5,858	\$ 2,825	\$ 1,302,175	--
Debt Service	--	--	192	192	--
ESSER II	--	1,468,392	--	1,468,392	--
Other Governmental	--	1,417,646	3,804	1,421,450	42
Total	<u>\$ 1,293,492</u>	<u>\$ 2,891,896</u>	<u>\$ 6,821</u>	<u>\$ 4,192,209</u>	<u>\$ 42</u>

**M. Unearned Revenue**

Unearned revenue at year end consisted of the following:

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- The discount rate was changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability
- The ultimate health care trend assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

Changes of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

At August 31, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 544,061	\$ 4,755,390
Changes in actuarial assumptions	640,900	2,853,385
Differences between projected and actual investment earnings	3,377	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	1,127,514	856,375
Contributions paid to TRS subsequent to the measurement date	196,873	
Total	\$ 2,512,725	\$ 8,465,150

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

Year ended August 31,	OPEB Expense Amount
2022	\$ (1,018,798)
2023	\$ (1,019,250)
2024	\$ (1,019,508)
2025	\$ (1,019,437)
2026	\$ (741,893)
Thereafter	\$ (1,330,412)

For the year ended August 31, 2021, the District recognized OPEB expense of \$(191,777) and revenue of \$(96,953) for support provided by the State.

**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

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED AUGUST 31, 2021**

<u>Revenue Description</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Unearned Amount</u>
Grant Programs	\$ --	\$ 23,464	\$ 23,464
Other	3,300	29,280	32,580
Total Unearned Revenue	<u>\$ 3,300</u>	<u>\$ 52,744</u>	<u>\$ 56,044</u>

**N. Fund Balances**

The following is a summary of Governmental Fund fund balances of the District at the year ended August 31, 2021:

**General Fund**

Nonspendable:	
Inventories	\$ 76,082
Prepaid Items	700,400
	<u>776,482</u>

Assigned	
Lawsuits/Settlements	2,000,000
Insurance Deductibles	1,000,000
Construction/Maintenance Projects	58,143
Equipment	150,981
Other	262,729
	<u>3,471,853</u>

Unassigned:	<u>16,720,209</u>
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Total General Fund fund balance	<u>20,968,544</u>
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**Debt Service Fund**

Restricted:	
Retirement of Long-Term Debt	<u>977,172</u>

Total Debt Service Fund fund balance	<u>977,172</u>
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**Other Governmental Funds**

Nonspendable:	
Inventories	<u>9,623</u>

Restricted:	
Child Nutrition	892,353
Summer Feeding Program	644,860
Capital Acquisition	124,855
	<u>1,662,068</u>

Assigned:	
Campus Activity Funds	<u>575,665</u>

Total Other Governmental Fund fund balance	<u>2,247,356</u>
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Total Governmental fund balance	<u>\$ 24,193,072</u>
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# TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2021

### O. Tax Abatements

The Tuloso-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 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
2020	Limitation	Amount	Amount	Payment to	Payment to	School District
	Amount	M&O Taxes	M&O Taxes	School District	School District	2020
	2020	Paid 2020	Reduced 2020	2020	2020	(C+E+F)
\$532,193,993	\$30,000,000	\$309,120	\$5,174,607	--	\$361,530	\$670,650

#### Project Description

1. CC Polymers, LLC (Application #277)  
First Year Value Limitation: 2016

### P. Restatement of Beginning Net Position

Effective September 1, 2020, the District implemented GASB Statement No. 84, Fiduciary Activities, which was effective for reporting periods beginning after December 15, 2019. The statement changes the definition of fiduciary



## TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2021

activities, providing more defined guidance on how to determine if activity is fiduciary in nature and therefore should be reported as such. The statement defines types of fiduciary funds, eliminating Agency Funds and replacing them with Custodial Funds. Under this guidance, all fiduciary funds will now report a net position and a statement of changes in net position. The District has only custodial fund type fiduciary activities. Because this statement was implemented retroactively, it resulted in a restatement of the prior period net position balances of Custodial Funds. The restatement is as follows:

#### Fiduciary Funds - Custodial Funds Statement of Net Position

	Student Activity
Net Position at August 31, 2020, as previously reported	\$ --
Addition of Net Position as calculated pursuant to GASB 84	136,219
Net Position August 31, 2020, as restated	<u>\$ 136,219</u>

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### *Required Supplementary Information*

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

# TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 33,484,249	\$ 33,484,249	\$ 31,783,125	\$ (1,701,124)
5800	State Program Revenues	7,109,900	7,146,857	8,184,095	1,037,238
5900	Federal Program Revenues	503,800	503,800	1,172,808	669,008
5020	Total Revenues	41,097,949	41,134,906	41,140,028	5,122
EXPENDITURES:					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	22,038,703	22,134,068	19,433,008	2,701,060
0012	Instructional Resources and Media Services	403,003	410,092	398,842	11,250
0013	Curriculum and Staff Development	108,172	119,898	119,406	492
	Total Instruction and Instr. Related Services	22,549,878	22,664,058	19,951,256	2,712,802
Instructional and School Leadership:					
0021	Instructional Leadership	494,605	633,605	595,828	37,777
0023	School Leadership	2,148,513	2,108,061	2,028,150	79,911
	Total Instructional and School Leadership	2,643,118	2,741,666	2,623,978	117,688
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	1,482,220	1,443,557	1,341,571	101,986
0032	Social Work Services	1,000	1,000	--	1,000
0033	Health Services	431,056	418,566	369,501	49,065
0034	Student (Pupil) Transportation	1,350,546	1,028,660	861,711	166,949
0036	Cocurricular/Extracurricular Activities	1,669,913	1,910,969	1,437,411	473,558
	Total Support Services - Student (Pupil)	4,934,735	4,802,752	4,010,194	792,558
Administrative Support Services:					
0041	General Administration	1,782,662	1,858,823	1,703,540	155,283
	Total Administrative Support Services	1,782,662	1,858,823	1,703,540	155,283
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	6,177,820	6,003,141	5,640,075	363,066
0052	Security and Monitoring Services	305,910	323,835	305,950	17,885
0053	Data Processing Services	527,518	771,580	764,135	7,445
	Total Support Services - Nonstudent Based	7,011,248	7,098,556	6,710,160	388,396
Ancillary Services:					
0061	Community Services	300	300	--	300
	Total Ancillary Services	300	300	--	300
Debt Service:					
0071	Principal on Long-Term Debt	1,020,925	788,022	788,018	4
0072	Interest on Long-Term Debt	--	241,865	240,586	1,279
0073	Bond Issuance Costs and Fees	--	65,601	65,601	--
	Total Debt Service	1,020,925	1,095,488	1,094,205	1,283
Capital Outlay:					
0081	Capital Outlay	130,000	150,556	52,073	98,483
	Total Capital Outlay	130,000	150,556	52,073	98,483
Intergovernmental Charges:					
0091	Contracted Instr. Services Between Public Schools	544,663	544,663	529,298	15,365

# TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
0095	Payments to Juvenile Justice Alternative				
0095	Education Programs	36,500	32,500	21,924	10,576
0099	Other Intergovernmental Charges	448,920	452,920	452,911	9
	Total Intergovernmental Charges	1,030,083	1,030,083	1,004,133	25,950
6030	Total Expenditures	41,102,949	41,442,282	37,149,539	4,292,743
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(5,000)	(307,376)	3,990,489	4,297,865
	Other Financing Sources (Uses):				
7911	Capital-Related Debt Issued (Regular Bonds)	--	4,005,000	4,005,000	--
7912	Sale of Real or Personal Property	--	5,000	3,202	(1,798)
8949	Payment to Escrow Agent	--	(3,952,502)	(3,952,502)	--
7080	Total Other Financing Sources and (Uses)	--	57,498	55,700	(1,798)
1200	Net Change in Fund Balance	(5,000)	(249,878)	4,046,189	4,296,067
0100	Fund Balance - Beginning	16,922,355	16,922,355	16,922,355	--
3000	Fund Balance - Ending	\$ 16,917,355	\$ 16,672,477	\$ 20,968,544	\$ 4,296,067

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, 2021

	Measurement Year Ended August 31,						
	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0 0169277600%	0 0177098759%	0 0188083878%	0 0179568271%	0 0184805858%	0 0188781000%	0 0106957000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 9,066,163	\$ 9,206,147	\$ 10,352,593	\$ 5,741,626	\$ 6,983,539	\$ 6,673,157	\$ 2,856,969
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	20,019,553	18,825,481	21,021,291	12,393,506	14,773,498	13,686,138	11,728,072
Total	<u>\$ 29,085,716</u>	<u>\$ 28,031,628</u>	<u>\$ 31,373,884</u>	<u>\$ 18,135,132</u>	<u>\$ 21,757,037</u>	<u>\$ 20,359,295</u>	<u>\$ 14,585,041</u>
District's Covered Payroll	\$ 25,172,805	\$ 23,502,063	\$ 23,774,796	\$ 22,656,661	\$ 22,128,117	\$ 20,359,295	\$ 14,585,041
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	36 02%	39 17%	43 54%	25 34%	31 56%	32 78%	19 59%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75 54%	75 24%	73 74%	82 17%	78 00%	78 43%	83 25%

Note Only seven 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, 2021

	Fiscal Year Ended August 31,						
	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 689,997	\$ 698,444	\$ 619,867	\$ 629,986	\$ 588,046	\$ 587,175	\$ 588,989
Contribution in Relation to the Contractually Required Contribution	(689,997)	(698,444)	(619,867)	(629,986)	(588,046)	(587,175)	(558,989)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,000
District's Covered Payroll	\$ 24,259,437	\$ 25,172,805	\$ 23,502,063	\$ 24,903,114	\$ 22,656,661	\$ 22,128,177	\$ 20,650,249
Contributions as a percentage of Covered Payroll	2.84%	2.77%	2.64%	2.53%	2.60%	2.65%	2.85%

Note Only seven 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, 2021

	Measurement Year Ended August 31,			
	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0273339344%	0.0267498656%	0.0285170667%	0.0265717836%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 10,390,863	\$ 12,650,339	\$ 14,238,832	\$ 11,555,072
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	13,962,829	16,809,471	21,147,981	18,300,293
Total	<u>\$ 24,353,692</u>	<u>\$ 29,459,810</u>	<u>\$ 35,386,813</u>	<u>\$ 29,855,365</u>
District's Covered Payroll	\$ 25,172,805	\$ 23,502,063	\$ 23,774,796	\$ 22,656,661
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	41.28%	53.83%	59.89%	51.00%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

Note: Only four 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, 2021

	Fiscal Year Ended August 31,			
	2021	2020	2019	2018
Contractually Required Contribution	\$ 196,873	\$ 207,757	\$ 189,850	\$ 196,192
Contribution in Relation to the Contractually Required Contribution	<u>(196,873)</u>	<u>(207,757)</u>	<u>(189,850)</u>	<u>(196,192)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 24,259,437	\$ 25,172,805	\$ 23,502,063	\$ 23,774,796
Contributions as a percentage of Covered Payroll	0.81%	0.83%	0.81%	0.83%

Note: Only four 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, 2021**

### **Budget**

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

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

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

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

### **Defined Benefit Pension Plan**

#### *Changes of benefit terms*

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

#### *Changes of assumptions*

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

### **Other Post-Employment Benefit Plan**

#### *Changes of benefit terms*

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

#### *Changes of assumptions*

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

### *Other Supplementary Information*

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

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF DELINQUENT TAXES RECEIVABLE****FOR THE YEAR ENDED AUGUST 31, 2021**

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2012 and Prior Years	\$	Various	\$	Various	\$	Various
2013		1.0686		.2636		1,827,721,060
2014		1.04		.2771		2,195,544,346
2015		1.09		.3045		2,212,755,633
2016		1.1056		.2718		2,406,366,842
2017		1.17		.2389		2,690,525,631
2018		1.17		.2022		3,165,916,701
2019		1.17		.2022		3,297,621,077
2020		1.0684		.1456		3,690,885,087
2021 (School Year Under Audit)		1.0304		.145090		3,912,980,536

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/20	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/21
\$ 250,107	\$ --	\$ 2,051	\$ 453	\$ (145)	\$ 247,458
37,824	--	1,835	453	(131)	35,405
64,761	--	1,945	518	(146)	62,152
58,478	--	2,221	621	(449)	55,187
91,826	--	3,246	798	(88)	87,694
130,758	--	(14,340)	(2,928)	(30,150)	117,876
129,205	--	(7,221)	(1,248)	(19,680)	117,994
138,174	--	3,221	557	(27,381)	107,015
2,836,183	--	23,133	3,154	(128,300)	2,681,596
--	40,656,122	31,106,900	5,108,762	(242,738)	4,197,722
<u>\$ 3,737,316</u>	<u>\$ 40,656,122</u>	<u>\$ 31,122,991</u>	<u>\$ 5,111,140</u>	<u>\$ (449,208)</u>	<u>\$ 7,710,099</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

## Levies &amp; Collections

Fiscal Year End	Levy Year	Adjusted Tax Levy	Current Collections	Percent of Levy
08/31/18	2017	37,160,579	34,048,780	91.63%
08/31/19	2018	38,918,490	38,639,077	99.28%
08/31/20	2019	39,169,187	36,333,004	92.76%
08/31/21	2020	40,413,384	36,215,662	89.61%

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM  
AS OF AUGUST 31, 2021

Data Control Codes		Responses
<b><u>Section A: Compensatory Education Programs</u></b>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 3,800,181
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30, 34)	\$ 2,000,351
<b><u>Section B: Bilingual Education Programs</u></b>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 143,479
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 125,762

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**
**EXHIBIT J-3**
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**
**BUDGETARY COMPARISON SCHEDULE**
**FOR THE YEAR ENDED AUGUST 31, 2021**

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	<b>REVENUES:</b>			
5700	<i>Local and Intermediate Sources</i>	\$ 238,200	\$ 100,007	\$ (138,193)
5800	<i>State Program Revenues</i>	9,850	10,065	215
5900	<i>Federal Program Revenues</i>	1,875,755	423,374	(1,452,381)
5020	Total Revenues	<u>2,123,805</u>	<u>533,446</u>	<u>(1,590,359)</u>
	<b>EXPENDITURES:</b>			
	Current:			
	Support Services - Student (Pupil):			
0035	<i>Food Services</i>	<u>2,068,805</u>	<u>343,177</u>	<u>1,725,628</u>
	Total Support Services - Student (Pupil)	<u>2,068,805</u>	<u>343,177</u>	<u>1,725,628</u>
	Support Services - Nonstudent Based:			
0051	<i>Plant Maintenance and Operations</i>	<u>55,000</u>	<u>54,967</u>	<u>33</u>
	Total Support Services - Nonstudent Based	<u>55,000</u>	<u>54,967</u>	<u>33</u>
6030	Total Expenditures	<u>2,123,805</u>	<u>398,144</u>	<u>1,725,661</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>--</u>	<u>135,302</u>	<u>135,302</u>
	Other Financing Sources (Uses):			
7912	<i>Sale of Real or Personal Property</i>	<u>--</u>	<u>561</u>	<u>561</u>
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>561</u>	<u>561</u>
1200	Net Change in Fund Balance	<u>--</u>	<u>135,863</u>	<u>135,863</u>
0100	Fund Balance - Beginning	<u>766,113</u>	<u>766,113</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 766,113</u>	<u>\$ 901,976</u>	<u>\$ 135,863</u>

# TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

## DEBT SERVICE FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	1  Budget	2  Actual	3 Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 5,327,088	\$ 5,132,972	\$ (194,116)
5800 <i>State Program Revenues</i>	35,000	30,876	(4,124)
5020 Total Revenues	<u>5,362,088</u>	<u>5,163,848</u>	<u>(198,240)</u>
<b>EXPENDITURES:</b>			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	3,770,000	3,770,000	--
0072 <i>Interest on Long-Term Debt</i>	1,501,241	1,501,240	1
0073 <i>Bond Issuance Costs and Fees</i>	240,609	231,174	9,435
Total Debt Service	<u>5,511,850</u>	<u>5,502,414</u>	<u>9,436</u>
6030 Total Expenditures	<u>5,511,850</u>	<u>5,502,414</u>	<u>9,436</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(149,762)</u>	<u>(338,566)</u>	<u>(188,804)</u>
Other Financing Sources (Uses):			
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	16,314,996	16,314,996	--
7916 <i>Premium on Issuance of Bonds</i>	1,367,276	1,367,276	--
8949 <i>Payment to Escrow Agent</i>	(17,453,610)	(17,453,610)	--
7080 Total Other Financing Sources and (Uses)	<u>228,662</u>	<u>228,662</u>	<u>--</u>
1200 Net Change in Fund Balance	<u>78,900</u>	<u>(109,904)</u>	<u>(188,804)</u>
0100 Fund Balance - Beginning	1,087,077	1,087,076	(1)
3000 Fund Balance - Ending	<u>\$ 1,165,977</u>	<u>\$ 977,172</u>	<u>\$ (188,805)</u>



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

Independent Auditor's Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With *Government Auditing Standards*

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

Members of the Board of Trustees:

We have audited, in accordance with 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, 2021, 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 February 15, 2022.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tuloso-Midway Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be

reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

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

Lovvorn & Kieschnick, LLP

Corpus Christi, TX  
February 15, 2022

**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, 2021. 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, 2021.

## 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,

A handwritten signature in black ink that reads "Lovvorn & Kieschnick, LLP". The signature is written in a cursive, flowing style.

Lovvorn & Kieschnick, LLP

Corpus Christi, TX

February 15, 2022

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

**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: July 2021

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>
84.425D	ESSER Grant
84.425D	ESSER II
84.425U	ESSER III

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, 2021*

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

**TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

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, 2021**

**EXHIBIT K-1**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients  Federal Expenditures
<u>U. S. Department of Health and Human Services</u>			
Passed Through Texas Health & Human Services Commission: Medicaid Administrative Claiming	93.778	HHS000537 -900182	\$ -- \$ 20,155
Total U. S. Department of Health and Human Services			-- 20,155
<u>U. S. Department of Defense</u>			
Passed Through State Department of Education: DFAS NJROTC	12.000	178-912	-- 81,162
Total U. S. Department of Defense			-- 81,162
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010A	2061010117891	-- 205,355
ESEA Title I Part A - Improving Basic Programs	84.010A	2161010117891	-- 302,955
Total CFDA Number 84.010A			-- 508,310
IDEA-B Cluster:			
IDEA-Part B, Formula	84.027A	2066000117891	-- 587,387
IDEA-Part B, Formula	84.027A	2166000117891	-- 134,688
IDEA-Part B, Preschool	84.173A	2066100117891	-- 4,426
IDEA-Part B, Preschool	84.173A	2166100117891	-- 512
Total IDEA-B Cluster			-- 727,013
Perkins V: Strengthening CTE for 21st Century	84.048A	2142000617891	-- 40,679
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	2069450117891	-- 50,264
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	2169450117891	-- 63,502
Total CFDA Number 84.367A			-- 113,766
ESSER Grant	84.425D	2052100117891	-- 4,924
ESSER II	84.425D	2152100117891	-- 2,122,847
Total CFDA Number 84.425D			-- 2,127,771
ESSER III	84.425U	2152800117891	-- 430,959
Title IV, Part A, Subpart 1	84.424A	2068010117891	-- 53,827
Title IV, Part A, Subpart 1	84.424A	2168010117891	-- 20,702
Total CFDA Number 84.424A			-- 74,529
Total Passed Through State Department of Education			-- 4,023,027
Total U. S. Department of Education			-- 4,023,027
<u>U. S. Department of the Treasury</u>			
Passed Through City of Corpus Christi, Texas: Operation Connectivity	21.019	178-912	18,000
Passed Through State Department of Education: Operation Connectivity	21.019	178-912	18,000
Total U. S. Department of the Treasury			-- 36,000
<u>U. S. Department of Agriculture</u>			
Passed Through Texas Department of Agriculture:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	099580680	-- 25,848
National School Lunch Program	10.555	099580680	-- 45,866
Emergency Operational Cost Reimbursement Program	10.555	099580680	-- 173,710
Summer Food Service Program	10.559	099580680	-- 1,769,738
Total Child Nutrition Cluster			-- 2,015,162
Child and Adult Care Food Program	10.558	099580680	153,399
Commodity Supplemental Food Program	10.565	099580680	-- 164,909
Total Passed Through Texas Department of Agriculture			-- 2,333,470
Total U. S. Department of Agriculture			-- 2,333,470
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -- \$ 6,493,813

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, 2021**

Federal Assistance Reconciliation

Federal Grants and Contracts Revenues per Exhibit C-2	7,230,580
Less: School Health & Related Services (SHARS) reported in General Fund	(697,369)
Less: Operation Connectivity reported in General Fund	<u>(39,398)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u><u>6,493,813</u></u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Tulosso-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.

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