

**TULOSO-MIDWAY
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2023



Lovvorn & Kieschnick

CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

DIRECTORY OF OFFICIALS

AUGUST 31, 2023

BOARD OF TRUSTEES

KIMBERLY BOONE	PRESIDENT
PAUL ARRIAGA	VICE-PRESIDENT
JANIE ANGUIANO	SECRETARY
LEO GONZALEZ	VICE-SECRETARY
BEN BENAVIDES	MEMBER
PAUL MOSTELLA	MEMBER
DENISE VILLALOBOS	MEMBER

OTHER OFFICIALS

STEVE VAN MATRE	SUPERINTENDENT
PHILIP CARROLL	DEPUTY SUPERINTENDENT
CATHERINE SALDANA	DIRECTOR OF FINANCE

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Tuloso-Midway Independent School District
Annual Financial Report
For The Year Ended August 31, 2023

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
 INTRODUCTORY SECTION		
Certificate of Board.....	1	
 FINANCIAL SECTION		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	16	A-1
Statement of Activities.....	17	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	19	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	21	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	22	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	24	C-3
Statement of Net Position - Proprietary Funds.....	25	D-1
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Proprietary Funds.....	26	D-2
Statement of Cash Flows - Proprietary Funds.....	27	D-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	28	E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	29	E-2
Notes to the Financial Statements	30	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	53	G-1
National School Breakfast and Lunch Program.....	55	G-2
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System.....	56	G-3
Schedule of District's Contributions - Teacher Retirement System.....	57	G-4
Schedule of the District's Proportionate Share of the		
Net OPEB Liability - TRS Care - OPEB Plan.....	58	G-5
Schedule of District's Contributions - TRS Care - OPEB Plan.....	59	G-6
Notes to Required Supplementary Information.....	60	
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	61	J-1
Use of Funds Report - Select State Allotment Program	63	J-2

Tuloso-Midway Independent School District
Annual Financial Report
For The Year Ended August 31, 2023

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Budgetary Comparison Schedules Required by the Texas Education Agency Debt Service Fund.....	64	J-3
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65	
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	67	
Schedule of Findings and Questioned Costs	70	
Summary Schedule of Prior Audit Findings.....	72	
Corrective Action Plan.....	73	
Schedule of Expenditures of Federal Awards	74	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	76	

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, 2023, at a meeting of the board of trustees of such school district on the 19th day of February, 2024.

Janie Anguiano
Signature of Board Secretary

Kimberly Boone
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

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the Tuloso-Midway Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tuloso-Midway Independent School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tuloso-Midway Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 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.

Supplementary 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. The 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2024 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 Tuloso-Midway Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tuloso-Midway Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

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

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
February 5, 2024

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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, 2023
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, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

DISTRICT HIGHLIGHTS

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

- DISTRICT TAGLINE: It's Our TiMe.
- VISION – TMISD shall be the preeminent educational organization where all staff are valued, parents are partners, and students are empowered to reach their full potential.
- MISSION - Through high expectations and equitable opportunity, TMISD will focus on the whole child by providing a safe environment and high-quality curriculum with diverse and enriching experiences.
- CORE VALUES:
 - Equity
 - Student-Centered Decisions
 - Accountability
 - Integrity
 - Compassion
 - Commitment
 - Collaboration
 - Respect
- STRATEGIC PRIORITIES:
 - Student Learning
 - Safe and Secure Schools
 - Mental Health and Wellbeing
 - Effective Educators and Staff
 - Communication and Transparency
 - Fiscal Responsibility
- 2027 DISTRICT GOALS:
 - 90 percent of students will have met the standards in the TMISD Student Readiness Profile (academic, social & emotional, and technical skill development).
 - 100 percent of 4-year-olds within the TMISD boundary and every eligible 3-year-old will have access and be enrolled in a full-day district Pre-K program.
 - The District will see a five percent annual reduction in the number of students needing academic intervention (RTI) at the intermediate and secondary level.
 - The District will see a five percent increase of students who are exiting SPED programming, following the District framework and IEP completion.
 - Community members will believe in the direction of TMISD, as evidenced by:

- A net-positive 20 promoter score
 - 90 percent of TMISD staff are satisfied working in the District.
- 100 percent of District facilities will have modern, safe, and relevant infrastructure, as defined by:
 - Facilities' condition and capacity,
 - Technology access/usability, and
 - Safety and security
- TMISD is known as the "School District of Choice in the Coastal Bend" with 402 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 TMISD as a B on the A-F Accountability scale during the 2022-2023 school year.
- Annual drop-out rate for the District is less than 1%.
- TMISD consists of 5 campuses throughout the district.
 - High School – Serves grade 9 through 12
 - Academic Career Center – Serves as an alternative high school
 - Middle School – Serves grade 6 through 8
 - Intermediate School – Serves grade 3 through 5
 - Primary School – Serves Pre-Kindergarten through 2nd grade.
- TMISD 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 96 or 2.6%. Snapshot enrollment was 3,654, with the average daily attendance approximating 3,313.57 students.
- TMISD employees approximately 669 full-time and part-time employees, including 279 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 \$5,360,816 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

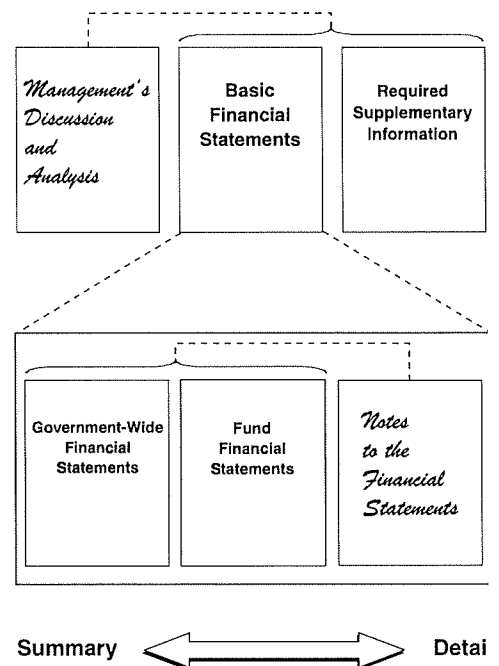
- The District's total combined net position was \$23,608,074 at August 31, 2023.
- During the year, the District's government-wide expenses were \$2,346,911 less than the \$62,867,105 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$13,333,259.

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.

(Continued)

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

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of

net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes, state formula revenue, and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- 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:

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 cash flows	• Statement of changes in fiduciary net assets
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

- *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 2023-2022
	2023	2022	2023	2022	2023	2022	
Current Assets							
Cash and Cash Equivalents	27,657,862	26,196,303	80,213	306,548	27,738,075	26,502,851	4 7%
Property Taxes Receivable (Delinquent)	1,217,598	10,842,819	-	-	1,217,598	10,842,819	-88 8%
Allowance for Uncollectible Taxes	(730,558)	(9,487,466)	-	-	(730,558)	(9,487,466)	-92 3%
Due from Other Governments	2,025,029	2,647,487	-	-	2,025,029	2,647,487	-23 5%
Other Receivables, Net	566	92,768	-	-	566	92,768	-99 4%
Inventories	41,858	75,468	-	-	41,858	75,468	-44 5%
Other Current Assets	1,172,774	880,895	-	-	1,172,774	880,895	33 1%
Total Current Assets	31,385,129	31,248,274	80,213	306,548	31,465,342	31,554,822	-0 3%
Noncurrent Assets							
Land	995,732	995,732	-	-	995,732	995,732	0 0%
Construction in Progress	307,535	263,860	-	-	307,535	263,860	16 6%
Buildings, Net	67,041,010	65,958,645	-	-	67,041,010	65,958,645	1 6%
Furniture and Equipment, Net	3,644,733	2,117,406	-	-	3,644,733	2,117,406	72 1%
Total Noncurrent Assets	71,989,010	69,335,643	-	-	71,989,010	69,335,643	3 8%
Total Assets	103,374,139	100,583,917	80,213	306,548	103,454,352	100,890,465	2 5%
Deferred Outflows of Resources							
Deferred Charge for Refunding	645,978	652,722	-	-	645,978	652,722	-1 0%
Deferred Outflow Related to TRS	4,995,967	2,440,941	-	-	4,995,967	2,440,941	104 7%
Pensions							
Deferred Outflow Related to TRS OPEB	2,740,851	2,673,320	-	-	2,740,851	2,673,320	2 5%
Total Deferred Outflows of Resources	8,382,796	5,766,983	-	-	8,382,796	5,766,983	45 4%
Current Liabilities							
Accounts Payable	1,597,693	1,079,818	-	6,539	1,597,693	1,086,357	47 1%
Interest Payable	59,148	67,198	-	-	59,148	67,198	-12 0%
Accrued Liabilities	306,862	335,228	12,525	9,768	319,387	344,996	-7 4%
Due to Other Governments	7,917,243	1,829,287	-	-	7,917,243	1,829,287	332 8%
Unearned Revenue	305,629	73,314	-	-	305,629	73,314	316 9%
Total Current Liabilities	10,186,575	3,384,845	12,525	16,307	10,199,100	3,401,152	199 9%
Non-current Liabilities							
Due Within One Year	4,774,520	3,943,394	-	-	4,774,520	3,943,394	21 1%
Due in More Than One Year	43,972,826	50,150,221	-	-	43,972,826	50,150,221	-12 3%
Net Pension Liability (District's Share)	10,630,854	4,117,310	-	-	10,630,854	4,117,310	158 2%
Net OPEB Liability (District's Share)	6,207,611	9,720,952	-	-	6,207,611	9,720,952	-36 1%
Total Liabilities	75,772,386	71,316,722	12,525	16,307	75,784,911	71,333,029	6 2%
Deferred Inflows of Resources							
Deferred Inflow Related to TRS Pensions	1,321,192	5,175,603	-	-	1,321,192	5,175,603	-74 5%
Deferred Inflow Related to TRS OPEB	11,122,971	8,665,098	-	-	11,122,971	8,665,098	28 4%
Total Deferred Inflows of Resources	12,444,163	13,840,701	-	-	12,444,163	13,840,701	-10 1%
Net Position							
Net Investment in Capital Assets	24,092,597	17,267,593	-	-	24,092,597	17,267,593	39 5%
Restricted For							
Federal and State Programs	3,181,333	2,693,971	-	-	3,181,333	2,693,971	18 1%
Debt Service	2,462,106	81,646	-	-	2,462,106	81,646	2915 6%
Unrestricted	(6,195,650)	1,150,266	67,688	290,241	(6,127,962)	1,440,507	-525 4%
Total Net Position	23,540,386	21,193,476	67,688	290,241	23,608,074	21,483,717	9 9%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position

The District's combined net position was \$23,608,074 at August 31, 2023. (See Table A-1.)

Changes in net position

The District's total governmental revenues were \$62,864,105. A significant portion, 69.5%, of the District's revenue comes from taxes. 2.5% comes from state aid, while 2.1% relates to charges for services, and 22.6% came from operating grants and contributions..

The total cost of all programs and services was \$60,954,746.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2023-2022
	2023	2022	2023	2022	2023	2022	
Program Revenues							
Charges for Services	1,313,402	1,266,637	206,504	215,123	1,519,906	1,481,760	2 57%
Operating Grants and Contributions	14,197,901	6,773,810	8,495	6,478	14,206,396	6,780,288	109 52%
General Revenues							
Property Taxes	44,236,558	34,773,715	-	-	44,236,558	34,773,715	27 21%
State Aid – Formula	1,573,589	7,472,559	-	-	1,573,589	7,472,559	-78 94%
Investment Earnings	1,244,374	159,817	-	-	1,244,374	159,817	678 62%
Other	298,281	573,746	-	-	298,281	573,746	-48 01%
Total Revenues	62,864,105	51,020,284	214,999	221,601	63,079,104	51,241,885	23 10%
Expenses							
Instruction	28,071,358	23,690,250	-	-	28,071,358	23,690,250	18 49%
Instruc I Res and Media Serv	530,259	444,306	-	-	530,259	444,306	19 35%
Currncu Dev & Instr Staff Dev	396,366	441,684	-	-	396,366	441,684	-10 26%
Instructional Leadership	1,658,306	1,208,243	-	-	1,658,306	1,208,243	37 25%
School Leadership	2,674,220	2,309,340	-	-	2,674,220	2,309,340	15 80%
Guid , Couns and Eval Svcs	1,916,923	1,664,832	-	-	1,916,923	1,664,832	15 14%
Social Work Services	99,779	79,496	-	-	99,779	79,496	25 51%
Health Services	435,951	383,173	-	-	435,951	383,173	13 77%
Student (Pupil) Transportation	1,166,247	1,182,451	-	-	1,166,247	1,182,451	-1 37%
Food Services	3,117,585	2,667,948	-	-	3,117,585	2,667,948	16 85%
Currncular/Extracurr Activities	2,888,229	2,734,415	-	-	2,888,229	2,734,415	5 63%
General Administration	2,153,262	2,045,733	-	-	2,153,262	2,045,733	5 26%
Plant Maintenance & Oper	6,981,971	6,251,971	-	-	6,981,971	6,251,971	11 68%
Security & Monitoring Services	567,145	444,109	-	-	567,145	444,109	27 70%
Data Processing Services	739,933	703,676	-	-	739,933	703,676	5 15%
Community Services	128,586	8,853	-	-	128,586	8,853	1352 46%
Debt Service	999,403	1,143,593	-	-	999,403	1,143,593	-12 61%
Capital Outlay	147,282	-	-	-	147,282	-	0 00%
Contracted Instruct Services	5,360,816	521,402	-	-	5,360,816	521,402	928 15%
Payments to Juvenile Justice	40,240	37,392	-	-	40,240	37,392	7 62%
Other Intergovernmental	443,333	456,530	437,552	201,135	880,885	657,665	33 94%
Other Financing Uses	-	189,235	-	-	-	189,235	-100 00%
Total Expenses	60,517,194	48,608,632	437,552	201,135	60,954,746	48,809,767	24 88%
Increase (Dec) in Net Position	2,346,911	2,411,652	(222,553)	20,466	2,124,358	2,432,118	-12 65%
Net Position Beginning	21,193,475	18,781,824	290,241	269,775	21,483,716	19,051,599	12 77%
Net Position Ending	23,540,386	21,193,476	67,688	290,241	23,608,074	21,483,717	9 89%

- The cost of all *governmental* activities this year was \$60,517,194.
- However, the amount that our taxpayers paid for these activities through property taxes was \$43,711,078.
- Some of the cost was paid by those who directly benefited from the programs, \$1,313,402 or
- By grants and contributions \$14,197,091.

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		
	2023	2022	% Change	2023	2022	% Change
Instruction	28,071,358	23,690,250	18.49%	20,871,073	21,690,056	-3.78%
General Administration	2,153,262	2,045,733	5.26%	1,964,538	1,905,420	3.10%
Plant Maintenance & Operations	6,981,971	6,251,971	11.68%	6,344,702	5,633,650	12.62%
Food Service	3,117,585	2,667,948	16.85%	133,021	(838,814)	-115.86%

Business-type Activities

Revenues of the District's business-type activities decreased \$6,602 and expenses increased \$236,417 from the preceding year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$64,901,892, an increase of 19.0% 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. Actual expenditures were \$541,251 below final budget amounts. The most significant positive variance was from instruction.

Actual revenues were \$278,298 below the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022-23, the District had invested \$138,358,285 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$6,655,517 or (5.1%) from last year.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2023-2022
	2023	2022	2023	2022	2023	2022	
Land	995,733	995,733	-	-	995,733	995,733	0 00%
Construction in Progress	307,535	263,860	-	-	307,535	263,860	16 55%
Buildings and Improvements	127,266,405	122,250,432	-	-	127,266,405	122,250,432	4 10%
Vehicles	3,792,775	3,727,579	-	-	3,792,775	3,727,579	1 75%
Equipment	5,995,837	4,465,164	-	-	5,995,837	4,465,164	34 28%
Totals at Historical Cost	138,358,285	131,702,768	-	-	138,358,285	131,702,768	5 05%
Total Accumulated Depreciation	66,369,274	62,367,125	-	-	66,369,274	62,367,125	6 42%
Net Capital Assets	71,989,011	69,335,643	-	-	71,989,011	69,335,643	3 83%

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, 2023:

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2023-2022
	2023	2022	2023	2022	2023	2022	
Bonds Payable	44,346,000	48,001,066	-	-	44,346,000	48,001,066	-7 61%
Bond Premium	4,148,190	4,583,124	-	-	4,148,190	4,583,124	-9 49%
Accretion on Bonds	-	1,169,187	-	-	-	1,169,187	-100 00%
Sub-Total	48,494,190	53,753,377	-	-	48,494,190	53,753,377	-9 78%
Loans	152,890	230,801	-	-	152,890	230,801	-33 76%
Compensated Absences	100,265	109,437	-	-	100,265	109,437	-8 38%
Net Pension Liability	10,630,854	4,117,310	-	-	10,630,854	4,117,310	158 20%
Net OPEB Liability	6,207,611	9,720,952	-	-	6,207,611	9,720,952	-36 14%
Total Long-Term Obligations	65,585,810	67,931,877	-	-	65,585,810	67,931,877	-3 45%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2019 State Legislative session significantly changed education funding calculations for fiscal year 2019-2020 through 2022-2023.

In developing the 2023-2024 budget the effects of the following factors were again taken into consideration as they were for previous years:

- 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 2023-2024 was compressed further to \$0.7575 as property values for the District increased at a higher rate than the state average. Before a District can seek voter approval to raise M&O rates above state calculated maximums an efficiency audit must be completed and posted on the District's website at least 30 days before the election.
- Increase in the Basic Allotment from \$5,140 to \$6,160. This has remained unchanged through the 2021 and 2023 legislative sessions.
- 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 4 of 6 allocated Pre-K teacher positions were utilized during 2022-2023.
- 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 2023-2024 certified property values have increased \$892.3 million or 26% increase for M&O values and a 22.8% increase for I&S values.

Recapture

Recapture for the 2022-2023 fiscal year was originally projected to be \$551,605. The near final about is \$5,360,816 due to the tax value/payment settlement with the District's largest tax payer – Flint Hills. Projected recapture for 2023-2024 is \$1,085,109.

Enrollment

October 2023 snapshot enrollment is 3,636, a decrease of 18 students or 0.5%. The three 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. Construction at the facility has been halted and a completion date is unknown. The 2023 construction in progress tax values for this property were identical to the previous three years. There is no hold harmless payment due for 2023-2024.

Employee Compensation

Across the board raises for all employees were adopted for the 2023-2024 year. There are no retention incentive payments budgeted for 2023-2024.

Debt Service Fund

The fund balance for the Debt Service Fund as of August 31, 2023 is \$2,449,086. For fiscal year 2023-2024 the I&S tax rate is increased from \$0.1504 to \$0.1677. For 2023-2024 the Debt Service Fund is projected to have revenues in excess of expenditures of approximately \$187,500.

Food Service Fund

Fiscal year 2021-2022 was the fourth and final year the District participated in the Community Eligibility Program (CEP) as part of the National School Lunch/Breakfast Program for all campuses. All students ate for free and the District was reimbursed for 96% of eligible reimbursed meals served. For 2021-2022 only the Primary School campus operating under the CEP program. However, all students are continuing to be served free meals with the cost being subsidized by the General Fund. 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.

COVID-19 and 2023-2024 Budgets

Regular in-person instruction schedules resumed for the District during 2021-2022 following previous school calendar adjustments and remote instruction periods.

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, 2020-2021 and 2021-2022 to offset the decrease in average daily attendance due to Covid.

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, Tulo-so-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, 2023

Data Control Codes		1	2	3
		Governmental Activities	Business-type Activities	Total
ASSETS:				
1110	Cash and Cash Equivalents	\$ 27,657,862	\$ 80,213	\$ 27,738,075
1225	Property Taxes Receivable (Net)	487,040	--	487,040
1240	Due from Other Governments	2,025,029	--	2,025,029
1290	Other Receivables (Net)	565	--	565
1300	Inventories	41,858	--	41,858
1410	Unrealized Expenses	1,172,774	--	1,172,774
	Capital Assets:			
1510	Land	995,732	--	995,732
1520	Buildings and Improvements, Net	67,041,010	--	67,041,010
1530	Furniture and Equipment, Net	3,644,733	--	3,644,733
1580	Construction in Progress	307,535	--	307,535
1000	Total Assets	<u>103,374,139</u>	<u>80,213</u>	<u>103,454,352</u>
DEFERRED OUTFLOWS OF RESOURCES:				
1701	Deferred Charge for Refunding	645,978	--	645,978
1705	Deferred Outflow Related to Pensions	4,995,967	--	4,995,967
1706	Deferred Outflow Related to OPEB	2,740,851	--	2,740,851
1700	Total Deferred Outflows of Resources	<u>8,382,796</u>	<u>--</u>	<u>8,382,796</u>
LIABILITIES:				
2110	Accounts Payable	1,597,693	--	1,597,693
2140	Interest Payable	59,148	--	59,148
2165	Accrued Liabilities	306,862	12,525	319,387
2180	Due to Other Governments	7,917,243	--	7,917,243
2300	Unearned Revenue	305,629	--	305,629
	Noncurrent Liabilities:			
2501	Due Within One Year	4,774,520	--	4,774,520
2502	Due in More Than One Year	43,972,826	--	43,972,826
2540	Net Pension Liability	10,630,854	--	10,630,854
2545	Net OPEB Liability	6,207,611	--	6,207,611
2000	Total Liabilities	<u>75,772,386</u>	<u>12,525</u>	<u>75,784,911</u>
DEFERRED INFLOWS OF RESOURCES:				
2605	Deferred Inflow Related to Pensions	1,321,192	--	1,321,192
2606	Deferred Inflow Related to OPEB	11,122,971	--	11,122,971
2600	Total Deferred Inflows of Resources	<u>12,444,163</u>	<u>--</u>	<u>12,444,163</u>
NET POSITION:				
3200	Net Investment in Capital Assets	24,092,597	--	24,092,597
	Restricted For:			
3820	Federal and State Programs	3,181,333	--	3,181,333
3850	Debt Service	2,462,106	--	2,462,106
3900	Unrestricted	(6,195,650)	67,688	(6,127,962)
3000	Total Net Position	<u>\$ 23,540,386</u>	<u>\$ 67,688</u>	<u>\$ 23,608,074</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, 2023

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues	
			Charges for Services	Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 28,071,358	\$ 875	\$ 7,199,410
12	Instructional Resources and Media Services	530,259	--	72,191
13	Curriculum and Staff Development	396,366	--	202,372
21	Instructional Leadership	1,658,306	--	944,111
23	School Leadership	2,674,220	--	383,632
31	Guidance, Counseling, and Evaluation Services	1,916,923	--	719,575
32	Social Work Services	99,779	--	85,358
33	Health Services	435,951	--	73,141
34	Student Transportation	1,166,247	--	152,286
35	Food Service	3,117,585	323,144	2,661,420
36	Cocurricular/Extracurricular Activities	2,888,229	963,408	95,373
41	General Administration	2,153,262	--	188,724
51	Facilities Maintenance and Operations	6,981,971	9,147	628,122
52	Security and Monitoring Services	567,145	--	29,137
53	Data Processing Services	739,933	--	96,863
61	Community Services	128,586	--	141,238
72	Interest on Long-term Debt	988,803	--	87,372
73	Bond Issuance Costs and Fees	10,600	--	--
81	Capital Outlay	147,282	16,828	276,302
91	Contracted Instructional Services between Schools	5,360,816	--	161,274
95	Payments to Juvenile Justice Alternative Ed. Programs	40,240	--	--
99	Other Intergovernmental Charges	443,333	--	--
TG	Total Governmental Activities	<u>60,517,194</u>	<u>1,313,402</u>	<u>14,197,901</u>
	Business-type Activities:			
01	Enterprising Activities	<u>437,552</u>	<u>206,504</u>	<u>8,495</u>
TB	Total Business-type Activities	<u>437,552</u>	<u>206,504</u>	<u>8,495</u>
TP	Total Primary Government	<u>\$ 60,954,746</u>	<u>\$ 1,519,906</u>	<u>\$ 14,206,396</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>
\$ (20,871,073)		\$ (20,871,073)
(458,068)		(458,068)
(193,994)		(193,994)
(714,195)		(714,195)
(2,290,588)		(2,290,588)
(1,197,348)		(1,197,348)
(14,421)		(14,421)
(362,810)		(362,810)
(1,013,961)		(1,013,961)
(133,021)		(133,021)
(1,829,448)		(1,829,448)
(1,964,538)		(1,964,538)
(6,344,702)		(6,344,702)
(538,008)		(538,008)
(643,070)		(643,070)
12,652		12,652
(901,431)		(901,431)
(10,600)		(10,600)
145,848		145,848
(5,199,542)		(5,199,542)
(40,240)		(40,240)
(443,333)		(443,333)
<u>(45,005,891)</u>		<u>(45,005,891)</u>
--	\$ (222,553)	(222,553)
--	(222,553)	(222,553)
<u>(45,005,891)</u>	<u>(222,553)</u>	<u>(45,228,444)</u>
37,388,147	--	37,388,147
6,322,931	--	6,322,931
525,480	--	525,480
1,244,374	--	1,244,374
1,573,589	--	1,573,589
274,340	--	274,340
23,941	--	23,941
<u>47,352,802</u>	<u>--</u>	<u>47,352,802</u>
2,346,911	(222,553)	2,124,358
21,193,475	290,241	21,483,716
<u>\$ 23,540,386</u>	<u>\$ 67,688</u>	<u>\$ 23,608,074</u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2023

Data Control Codes	10 General Fund	24 National School Breakfast/Lunch Program
ASSETS:		
1110 Cash and Cash Equivalents	\$ 19,985,019	\$ 3,117,895
1225 Taxes Receivable, Net	414,871	--
1240 Due from Other Governments	906,925	354,438
1260 Due from Other Funds	578,460	--
1290 Other Receivables	565	--
1300 Inventories	39,001	2,857
1410 Unrealized Expenditures	1,172,774	--
1000 Total Assets	<u>23,097,615</u>	<u>3,475,190</u>
LIABILITIES:		
Current Liabilities:		
2110 Accounts Payable	\$ 1,101,379	\$ 280,327
2150 Payroll Deductions and Withholdings	1,659	--
2160 Accrued Wages Payable	270,421	--
2170 Due to Other Funds	--	--
2180 Due to Other Governments	7,916,699	--
2200 Accrued Expenditures	33,028	--
2300 Unearned Revenue	26,299	13,530
2000 Total Liabilities	<u>9,349,485</u>	<u>293,857</u>
DEFERRED INFLOWS OF RESOURCES:		
2601 Unavailable Revenue - Property Taxes	414,871	--
2600 Total Deferred Inflows of Resources	<u>414,871</u>	<u>--</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3410 Inventories	39,001	2,857
3430 Prepaid Items	1,172,774	--
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	--	3,178,476
3480 Retirement of Long-Term Debt	--	--
3490 Other Restrictions of Fund Balance	--	--
Assigned Fund Balances:		
3570 Capital Expenditures for Equipment	--	--
3590 Other Assigned Fund Balance	--	--
3600 Unassigned	12,121,484	--
3000 Total Fund Balances	<u>13,333,259</u>	<u>3,181,333</u>
4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 23,097,615</u>	<u>\$ 3,475,190</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

50 Debt Service Fund	onmf Other Governmental Funds	98 Total Governmental Funds
\$ 2,456,744	\$ 948,365	\$ 26,508,023
72,169	--	487,040
385	763,281	2,025,029
--	--	578,460
--	--	565
--	--	41,858
--	--	1,172,774
<u>2,529,298</u>	<u>1,711,646</u>	<u>30,813,749</u>
\$ 7,500	\$ 116,256	\$ 1,505,462
--	--	1,659
--	--	270,421
--	578,459	578,459
544	--	7,917,243
--	1,754	34,782
--	265,800	305,629
<u>8,044</u>	<u>962,269</u>	<u>10,613,655</u>
72,168	--	487,039
<u>72,168</u>	<u>--</u>	<u>487,039</u>
--	--	41,858
--	--	1,172,774
--	--	3,178,476
2,449,086	--	2,449,086
--	104,688	104,688
--	--	--
--	644,689	644,689
--	--	12,121,484
<u>2,449,086</u>	<u>749,377</u>	<u>19,713,055</u>
\$ <u>2,529,298</u>	\$ <u>1,711,646</u>	\$ <u>30,813,749</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, 2023

Total fund balances - governmental funds balance sheet \$ 19,713,055

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.	71,989,010
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	487,039
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	1,057,607
Payables for bond principal which are not due in the current period are not reported in the funds.	(44,346,001)
Payables for loans which are not due in the current period are not reported in the funds.	(152,890)
Payables for debt interest which are not due in the current period are not reported in the funds.	(59,148)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(100,265)
Deferred charge for refundings expended in the funds, but is amortized in the statement of net position.	645,978
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(10,630,854)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,321,192)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	4,995,967
Bond premiums are amortized in the SNA but not in the funds.	(4,148,190)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(6,207,611)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(11,122,971)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>2,740,851</u>

Net position of governmental activities - Statement of Net Position \$ 23,540,386

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, 2023

Data Control Codes	10 General Fund	24 National School Breakfast/Lunch Program
REVENUES:		
5700 Local and Intermediate Sources	\$ 39,991,162	\$ 362,081
5800 State Program Revenues	4,991,460	10,386
5900 Federal Program Revenues	1,224,288	2,861,694
5020 Total Revenues	<u>46,206,910</u>	<u>3,234,161</u>
EXPENDITURES:		
Current:		
0011 Instruction	22,611,807	--
0012 Instructional Resources and Media Services	474,237	--
0013 Curriculum and Staff Development	220,032	--
0021 Instructional Leadership	766,667	--
0023 School Leadership	2,438,631	--
0031 Guidance, Counseling, and Evaluation Services	1,195,941	--
0032 Social Work Services	743	--
0033 Health Services	398,095	--
0034 Student Transportation	1,019,662	--
0035 Food Service	--	2,805,215
0036 Cocurricular/Extracurricular Activities	1,857,000	--
0041 General Administration	2,058,044	--
0051 Facilities Maintenance and Operations	6,498,090	79,494
0052 Security and Monitoring Services	632,611	--
0053 Data Processing Services	748,459	--
0061 Community Services	270	--
0071 Principal on Long-term Debt	897,980	--
0072 Interest on Long-term Debt	80,981	--
0073 Bond Issuance Costs and Fees	400	--
0081 Capital Outlay	5,712,616	146,112
0091 Contracted Instructional Services		
0091 Between Public Schools	5,360,816	--
0095 Payments to Juvenile Justice Alternative		
0095 Education Programs	40,240	--
0099 Other Intergovernmental Charges	443,333	--
6030 Total Expenditures	<u>53,456,655</u>	<u>3,030,821</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>(7,249,745)</u>	<u>203,340</u>
Other Financing Sources and (Uses):		
7912 Sale of Real or Personal Property	22,621	1,320
7915 Transfers In	--	282,703
8911 Transfers Out	(347,091)	--
7080 Total Other Financing Sources and (Uses)	<u>(324,470)</u>	<u>284,023</u>
1200 Net Change in Fund Balances	<u>(7,574,215)</u>	<u>487,363</u>
0100 Fund Balances - Beginning	20,907,474	2,693,970
3000 Fund Balances - Ending	<u>\$ 13,333,259</u>	<u>\$ 3,181,333</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

50 Debt Service Fund	onmf Other Governmental Funds	98 Total Governmental Funds
\$ 6,574,650	\$ 1,009,095	\$ 47,936,988
87,372	2,339,902	7,429,120
--	5,449,802	9,535,784
<u>6,662,022</u>	<u>8,798,799</u>	<u>64,901,892</u>
--	5,398,119	28,009,926
--	30,369	504,606
--	186,021	406,053
--	874,821	1,641,488
--	149,600	2,588,231
--	609,094	1,805,035
--	85,303	86,046
--	32,532	430,627
--	59,102	1,078,764
--	3,057	2,808,272
--	907,322	2,764,322
--	53,782	2,111,826
--	178,375	6,755,959
--	6,087	638,698
--	30,942	779,401
--	141,253	141,523
2,834,996	--	3,732,976
2,513,248	--	2,594,229
10,200	--	10,600
--	149,800	6,008,528
--	--	5,360,816
--	--	40,240
--	--	443,333
<u>5,358,444</u>	<u>8,895,579</u>	<u>70,741,499</u>
<u>1,303,578</u>	<u>(96,780)</u>	<u>(5,839,607)</u>
--	--	23,941
--	64,388	347,091
--	--	(347,091)
--	64,388	23,941
<u>1,303,578</u>	<u>(32,392)</u>	<u>(5,815,666)</u>
1,145,508	781,769	25,528,721
<u>\$ 2,449,086</u>	<u>\$ 749,377</u>	<u>\$ 19,713,055</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, 2023

Net change in fund balances - total governmental funds	\$ (5,815,666)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	7,461,009
The depreciation of capital assets used in governmental activities is not reported in the funds.	(4,787,646)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(19,996)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(868,314)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	3,655,065
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	77,911
The accretion of interest on capital appreciation bonds is not reported in the funds.	1,169,186
(Increase) decrease in accrued interest from beginning of period to end of period.	8,050
The net revenue (expense) of internal service funds is reported with governmental activities.	11,057
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	9,172
Amortization of bond premium and deferred amount is an expense in the SOA but not in the funds.	428,190
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(104,107)
The District's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	1,122,999
Change in net position of governmental activities - Statement of Activities	\$ <u>2,346,911</u>

The accompanying notes are an integral part of this statement.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

AUGUST 31, 2023

Data Control Codes		Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
		After School Care	Insurance Fund
ASSETS:			
Current Assets:			
1110	Cash and Cash Equivalents	\$ 80,213	\$ 1,149,838
	Total Current Assets	80,213	1,149,838
1000	Total Assets	80,213	1,149,838
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$ --	\$ 92,231
2160	Accrued Wages Payable	12,525	--
	Total Current Liabilities	12,525	92,231
2000	Total Liabilities	12,525	92,231
NET POSITION:			
3900	Unrestricted	67,688	1,057,607
3000	Total Net Position	\$ 67,688	\$ 1,057,607

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, 2023

Data Control Codes		Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
		After School Care	Insurance Fund
	OPERATING REVENUES:		
5700	Local and Intermediate Sources	\$ 206,504	\$ 199,532
5800	State Program Revenues	8,495	--
5020	Total Revenues	<u>214,999</u>	<u>199,532</u>
	OPERATING EXPENSES:		
6100	Payroll Costs	254,196	--
6200	Professional and Contracted Services	109	57,519
6300	Supplies and Materials	2,666	--
6400	Other Operating Costs	376	130,956
6600	Capital Outlay - Land, Buildings and Equipment	180,205	--
6030	Total Expenses	<u>437,552</u>	<u>188,475</u>
1300	Change in Net Position	(222,553)	11,057
0100	Total Net Position - Beginning	290,241	1,046,550
3300	Total Net Position - Ending	<u>\$ 67,688</u>	<u>\$ 1,057,607</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, 2023

	Nonmajor Enterprise Fund After School Care	Nonmajor Internal Service Fund Insurance Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 206,504	\$ --
Cash Received from Grants	8,495	--
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	--	199,532
Cash Payments to Employees for Services	(251,439)	--
Cash Payments to Other Suppliers for Goods and Services	(189,895)	(189,416)
Other Operating Cash Receipts (Payments)	--	--
Net Cash Provided (Used) by Operating Activities	<u>(226,335)</u>	<u>10,116</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (226,335)	 10,116
Cash and Cash Equivalents at Beginning of Year	306,548	1,139,723
Cash and Cash Equivalents at End of Year	<u>\$ 80,213</u>	<u>\$ 1,149,839</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (222,553)	\$ 11,057
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	--	--
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	--	--
Increase (Decrease) in Accounts Payable	(6,539)	(941)
Increase (Decrease) in Payroll Deductions	--	--
Increase (Decrease) in Accrued Wages Payable	2,757	--
Increase (Decrease) in Accrued Expenses	--	--
Increase (Decrease) in Unearned Revenue	--	--
Total Adjustments	<u>(3,782)</u>	<u>(941)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (226,335)</u>	<u>\$ 10,116</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, 2023

		Custodial Fund
Data Control Codes		Student Activity
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 78,552
1000	Total Assets	<u>78,552</u>
	LIABILITIES:	
	Current Liabilities:	
2110	Accounts Payable	\$ 126
2000	Total Liabilities	<u>126</u>
	NET POSITION:	
3800	Restricted for Student Activities	78,426
3000	Total Net Position	<u>\$ 78,426</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, 2023

	Custodial Funds Student Activity
ADDITIONS:	
Student Group Fundraising Activities	\$ 96,328
Contributions/Gifts	5,000
Student Club Fees/Dues	--
Commission	--
Total Additions	<u>101,328</u>
DEDUCTIONS:	
Student Activities	<u>112,032</u>
Total Deductions	<u>112,032</u>
Change in Fiduciary Net Position	(10,704)
Net Position-Beginning of the Year	89,130
Net Position-End of the Year	<u><u>\$ 78,426</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, 2023

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

The District reports the following major governmental funds:

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

Food Service Fund: This fund is used to account for food services subsidized with federal reimbursements

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

from the USDA.

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

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 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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all 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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. Receivable and Payable Balances

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

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

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

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

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 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, 2023, the District reported the following:

Net Pension Asset	\$	
Net Pension Liability	\$	10,630,854

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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

In the current fiscal year, the District implemented GASB Statement No. 96, Subscription Based Information Technology Arrangement. Management has determined that the District does not have any SBITA's that meet the requirement to be recorded under the provisions of GASB Statement No. 96, Subscription Based Information Technology Arrangements.

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>
In the General Fund, transfers out exceeded appropriations.	In the future, the budget will be amended before overspending.

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, 2023, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,719,107 and the bank balance was \$2,571,365. The District's cash deposits at August 31, 2023 and during the year ended August 31, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

District's name.

2. Investments:

As of August 31, 2023 the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)		
		Less than 1	1 to 2	2 to 3
Investment Pools:				
Investment in TexPool	\$ 217,499	\$ 217,499	\$ --	\$ --
Investment in Lone Star Pool	22,612,220	22,612,220	--	--
Investment in LOGIC	1,982,195	1,982,195	--	--
Investment in Texas Class	1,285,607	1,285,607	--	--
Total Fair Value	<u>\$ 26,097,521</u>	<u>\$ 26,097,521</u>	<u>\$ --</u>	<u>\$ --</u>

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

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

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

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

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

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

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

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

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

Limitations exist for withdrawals in this way: ACH (Automated Clearing House) withdrawals from Lone Star or

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 995,733	\$ --	\$ --	\$ 995,733
Construction in progress	263,860	307,535	263,860	307,535
Total capital assets not being depreciated	<u>1,259,593</u>	<u>307,535</u>	<u>263,860</u>	<u>1,303,268</u>
Capital assets being depreciated:				
Buildings and improvements	122,250,432	5,249,466	233,493	127,266,405
Equipment	4,465,164	2,055,868	525,195	5,995,837
Vehicles	3,727,579	112,000	46,804	3,792,775
Total capital assets being depreciated	<u>130,443,175</u>	<u>7,417,334</u>	<u>805,492</u>	<u>137,055,017</u>
Less accumulated depreciation for:				
Buildings and improvements	(56,291,788)	(4,147,105)	(213,497)	(60,225,396)
Equipment	(3,425,747)	(473,988)	(525,196)	(3,374,539)
Vehicles	(2,649,590)	(166,553)	(46,804)	(2,769,339)
Total accumulated depreciation	<u>(62,367,125)</u>	<u>(4,787,646)</u>	<u>(785,497)</u>	<u>(66,369,274)</u>
Total capital assets being depreciated, net	<u>68,076,050</u>	<u>2,629,688</u>	<u>19,995</u>	<u>70,685,743</u>
Governmental activities capital assets, net	<u>\$ 69,335,643</u>	<u>\$ 2,937,223</u>	<u>\$ 283,855</u>	<u>\$ 71,989,011</u>

Depreciation was charged to functions as follows:

Instruction	\$ 2,577,418
Instructional Resources and Media Services	59,281
Curriculum and Staff Development	2,891
Instructional Leadership	111,025
School Leadership	244,147
Guidance, Counseling, & Evaluation Services	201,617
Social Work Services	19,007
Health Services	30,224
Student Transportation	249,019
Food Services	312,517
Extracurricular Activities	280,811
General Administration	143,335
Plant Maintenance and Operations	541,288
Security and Monitoring Services	14,849
Data Processing Services	12
Community Services	205
	<u>\$ 4,787,646</u>

E. Interfund Balances and Activities

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2023, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 578,460	Short-term loans
	Total	<u>\$ 578,460</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2023, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Food Service Fund	\$ 282,703	Supplement other funds sources
General fund	Other Governmental Funds	64,388	Supplement other funds sources
	Total	<u>\$ 347,091</u>	

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended 2023, Tuloso-Midway Independent School District, are as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/22	Issued	Retired	Amounts Outstanding 8/31/23	Amounts Due Within One Year
Maintenance Tax Notes							
Series, 2008	4.38%	2,649,941	232,070	--	232,070	--	--
Unlimited Tax School Building Bonds	2.00% to						
Series 2014	4.00%	9,380,000	945,000	--	690,000	255,000	255,000
Limited Tax Refunding Bonds							
Series 2014	2.31%	2,002,000	644,000	--	208,000	436,000	208,000
Unlimited Tax Refunding Bonds	2.00% to						
Series 2014	4.00%	7,645,000	1,730,000	--	405,000	1,325,000	420,000
Unlimited Tax Refunding Bonds	2.00% to						
Series 2015	4.00%	5,615,000	2,040,000	--	690,000	1,350,000	715,000
Unlimited Tax Refunding Bonds	2.00% to						

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

Series 2016	5.00%	11,125,000	9,420,000	--	415,000	9,005,000	435,000
Unlimited Tax							
Refunding Bonds	2.00% to						
Series 2017	4.00%	7,810,000	6,210,000	--	315,000	5,895,000	330,000
Unlimited Tax							
Refunding Bonds	3.00% to						
Series 2017-A	4.00%	8,220,000	7,860,000	--	140,000	7,720,000	145,000
Unlimited Tax							
Refunding Bonds	0.76% to						
Series 2020	4.00%	16,314,996	15,294,996	--	179,996	15,115,000	1,365,000
Limited Tax							
Refunding Bonds							
Series 2021	1.36%	4,005,000	3,625,000	--	380,000	3,245,000	385,000
			48,001,066	--	3,655,066	44,346,000	4,258,000
Loans			230,801	--	77,911	152,890	81,586
Accretion on Bonds			1,169,187	10,817	1,180,004	--	--
Bond Premium			4,583,124	--	434,934	4,148,190	434,934
Net Pension Liability			4,117,310	7,349,132	835,588	10,630,854	--
Net OPEB Liability			9,720,952	(3,300,404)	212,937	6,207,611	--
Compensated Absences			109,437	--	9,172	100,265	--
Total governmental activities			\$ 67,931,877	\$ 4,059,545	\$ 6,405,612	\$ 65,585,810	\$ 4,774,520

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2023, are as follows:

Year Ending August 31,	Governmental Activities					
	General Obligation Bonds			Limited Tax Debt		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 3,665,000	\$ 1,239,656	\$ 4,904,656	\$ 600,000	\$ 51,720	\$ 651,720
2024	3,505,000	1,108,806	4,613,806	611,000	41,449	652,449
2025	3,610,000	1,004,369	4,614,369	400,000	33,592	433,592
2026	3,245,000	900,071	4,145,071	405,000	28,152	433,152
2027	3,120,000	807,377	3,927,377	410,000	22,644	432,644
2028-2032	16,345,000	2,606,325	18,951,325	1,255,000	34,340	1,289,340
2035-2037	6,990,000	712,235	7,702,235	--	--	--
2038-2039	185,000	7,400	192,400	--	--	--
Totals	\$ 40,665,000	\$ 8,386,239	\$ 49,051,239	\$ 3,681,000	\$ 211,897	\$ 3,892,897

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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

restrictions

The District had no defeased bonds outstanding at August 31, 2023.

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. Loans

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

Scheduled loan payments are as follows:
Year ending August 31:

	Principal	Interest	Total
2024	\$ 81,585	\$ 5,350	\$ 86,935
2025	71,305	1,528	86,935
Total	<u>\$ 152,890</u>	<u>\$ 6,878</u>	<u>\$ 246,703</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 2023, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

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

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard 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/Pages/about%20publications.aspx> ; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

3. Benefits Provided

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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 in the manner are determined by the System's actuary.

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 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.

	<u>Contribution Rates</u>	
	<u>2022</u>	<u>2023</u>
Member	8.0%	8.0%
Non-Employer Contributing Entity (State)	7.5%	8.0%
Employers	7.5%	8.0%
District's 2023 Employer Contributions	\$	1,112,364
District's 2023 Member Contributions	\$	2,162,824
2022 NECE On-Behalf Contributions (State)	\$	1,442,626

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.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2023

- When any 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 1.6 percent of the member's salary beginning in fiscal year 2021, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	1.95% *
Last year ending August 31 in Projection Period	2120
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

* The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions, please see the actuarial valuation report dated November 9, 2020.

6. Discount Rate

A single discount rate of 7.00 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 7.00 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 7.00 percent. The long-term expected rate of return

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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, 2022 are summarized below:

Asset Class *	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	3.6%	0.94%
Non-U.S. Developed	13.0%	4.4%	0.83%
Emerging Markets	9.0%	4.6%	0.74%
Private Equity	14.0%	6.3%	1.36%
Stable Value			
Government Bonds	16.0%	(0.2)%	0.01%
Absolute Return	0.0%	1.1%	0.00%
Stable Value Hedge Funds	5.0%	2.2%	0.12%
Real Return			
Real Estate	15.0%	4.5%	1.00%
Energy, Natural Resources and Infrastructure	6.0%	4.7%	0.35%
Commodities	0.0%	1.7%	0.00%
Risk Parity	8.0%	2.8%	0.28%
Asset Allocation Leverage			
Cash	2.0%	(0.7)%	(0.01)%
Asset Allocation Leverage	(6.0%)	(0.5)%	0.03%
Inflation Expectation			2.20%
Volatility Drag ****	-		(0.95)%
Expected Return	100.0%		6.90%
<p>* Absolute Return includes Credit Sensitive Investments. ** Target allocations are based on the FY2021 policy model. *** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021) **** The volatility drag results from the conversion between arithmetic and geometric mean returns.</p>			

7. Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using a discount rate of 7.00 percent, and what the net position liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

1%		1%
Decrease in Discount Rate	Discount Rate	Increase in Discount Rate

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

	(6.00%)	(7.00%)	(8.00%)
District's proportionate share of the net pension liability:	\$ 16,537,578	\$ 10,630,854	\$ 5,843,177

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

At August 31, 2023, the District reported a liability of \$10,630,854 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	\$ 10,630,854
State's proportionate share that is associated with District	<u>18,353,964</u>
Total	<u>\$ 28,984,818</u>

The net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 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, 2021 thru August 31, 2022.

At August 31, 2022 the employer's proportion of the collective net pension liability was 0.0179068799% which was an increase (decrease) of 0.0017393026% from its proportion measured as of August 31, 2021.

9. Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2023, the District recognized pension expense of \$2,970,902 and revenue of \$1,754,431 for support provided by the State.

At August 31, 2023, 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 Actuarial Experience	\$ 154,147	\$ 231,773
Changes in Actuarial Assumptions	1,980,874	493,689
Difference Between Projected and Actual Investment Earnings	1,050,295	--
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	698,287	595,730
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability (to be calculated by employer)	1,112,364	--
Total	<u>\$ 4,995,967</u>	<u>\$ 1,321,192</u>

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

recognized in pension expense as follows:

Year ended August 31,	Pension Expense Amount
2024	\$ 640,414
2025	\$ 325,083
2026	\$ 89,837
2027	\$ 1,269,170
2028	\$ 237,906
Thereafter	\$ 1

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/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

TRS-Care provides 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 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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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	
	<u>2023</u>
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding remitted by Employers	1.25%

District's 2023 Employer Contributions	\$	266,058
District's 2023 Member Contributions	\$	175,729
2022 NECE On-Behalf Contributions (state)	\$	259,750

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 \$5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. 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. 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, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

Rates of Mortality
 Rates of Retirement
 Rates of Termination

Rates of Disability
 General Inflation
 Wage Inflation

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. 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 mortality projection scale MP-2018.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Health Care Trend Rates	8.5% to 4.25%
Election Rates	Normal Retirement - 65% participation rate prior to age 65 and 40% participation rate after age 65. Pre-65 retirees - 25% are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

The initial medical trend rates were 8.50 percent for Medicare retirees and 7.10 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50 percent for all retirees. The initial trend rates decrease to an an ultimate trend rate of 4.25 percent over a period of 12 years.

6. Discount Rate

A single discount rate of 1.95 percent was used to measure the Total OPEB Liability. This was a decrease of 0.38 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the 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, 2021 using the Fixed Income Market Data/Yield Curve/ Data 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 (1.95%) in measuring the Net OPEB Liability.

1% Decrease in Discount Rate (2.91%)	Current Single Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
--	--	--

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

District's proportionate share of the Net OPEB Liability:	\$ 7,319,266	\$ 6,207,611	\$ 5,307,028
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8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2023, the District reported a liability of \$6,207,611 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	\$ 6,207,611
State's proportionate share that is associated with the District	\$ 7,572,311
Total	<u>\$ 13,779,922</u>

The Net OPEB liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 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, 2021 thru August 31, 2022.

At August 31, 2022 the District's proportion of the collective net OPEB liability was 0.0259255346% which was an increase (decrease) of 0.0007250524% from its proportion measured as of August 31, 2021.

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:	\$ 5,115,100	\$ 6,207,611	\$ 7,623,912

9. Changes Since the Prior Actuarial Valuation

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

- The discount rate was changed from 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased 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, 2023, 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	\$ 345,121	\$ 5,171,497
Changes in actuarial assumptions	945,542	4,312,679
Difference between projected and actual		

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2023

investment earnings	18,491	
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	1,165,639	1,638,795
Contributions paid to TRS subsequent to the measurement date	266,058	
Total	<u>\$ 2,740,851</u>	<u>\$ 11,122,971</u>

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

Year ended August 31:	OPEB Expense Amount
2024	\$ (1,564,116)
2025	\$ (1,564,049)
2026	\$ (1,300,805)
2027	\$ (944,420)
2028	\$ (1,182,597)
Thereafter	\$ (2,092,191)

For the year ended August 31, 2023, the District recognized OPEB expense of \$(1,931,513) and revenue of \$(1,074,572) 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 drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2023, the subsidy payment received by TRS-Care on behalf of the District was \$143,952.

J. Employee Health Care Coverage

During the year ended August 31, 2023, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$300 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a 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, 2023, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Blue Cross Blue Shield are available for the year 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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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, 2023 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, 2023, are reported on the combined financial statements as Due from Other Governments and are summarized below:

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General	\$ 892,675	\$ 12,402	\$ 1,848	\$ 906,925
Food Service Fund	--	354,438	--	354,438
Debt Service Fund	--	--	385	385
Other Governmental	488,156	275,125	--	763,281
Total	<u>\$ 1,380,831</u>	<u>\$ 641,965</u>	<u>\$ 2,233</u>	<u>\$ 2,025,029</u>

M. Unearned Revenue

Unearned revenue at year end consisted of the following:

<u>Revenue Description</u>	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Other Governmental Funds</u>	<u>Other Governmental Funds</u>
Grant Programs	\$ --	\$ 13,530	\$ 238,345	\$ 251,875
Other	26,299	--	27,455	53,754
Total Unearned Revenue	<u>\$ 26,299</u>	<u>\$ 13,530</u>	<u>\$ 265,800</u>	<u>\$ 305,629</u>

N. Fund Balances

The following is a summary of Governmental Fund fund balances of the District at the year ended August 31, 2023:

General Fund

Nonspendable:

Inventories	\$ 39,001
Prepaid Items	1,172,774
	<u>1,211,775</u>

Unassigned:

12,121,484

Total General Fund fund balance

13,333,259

Food Service Fund:

Nonspendable:

Inventories	<u>2,857</u>
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TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

Restricted:	
Child Nutrition	3,178,476
	<hr/>
Total Food Service Fund fund balance	3,181,333
	<hr/>
Debt Service Fund:	
Restricted:	
Retirement of Long-Term Debt	2,449,086
	<hr/>
Other Governmental Funds	
Restricted:	
Capital Acquisition	104,688
	<hr/>
Assigned:	
Campus Activity Funds	644,689
	<hr/>
Total Other Governmental Fund fund balance	749,377
	<hr/>
Total Governmental fund balance	\$ 19,713,055
	<hr/>

O. Tax Abatements

The Tulo-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.

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

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 Value 2022	Project's Value Limitation Amount 2022	Amount of Applicant's M&O Taxes Paid 2022	Amount of Applicant's M&O Taxes Reduced 2022	Company Revenue Loss Payment to School District 2022	Company Supplemental Payment to School District 2022	Net Benefit (Loss) to the School District 2022 (E+F)
\$530,606,843	\$30,000,000	\$301,800	\$5,036,105	\$175,660	\$349,820	\$525,480

Project Description

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

P. Subsequent Events

On November 7, 2023 voters of the District approved three bond propositions totaling \$164,625,000:

Proposition A -	\$ 151,825,000	School Facilities
Proposition B -	\$ 7,800,000	Natatorium Facilities
Proposition C-	\$ 5,000,000	School Recreational Facilities

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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, 2023

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	\$ 31,920,054	\$ 40,108,404	\$ 39,991,162	\$ (117,242)
5800	State Program Revenues	9,090,904	5,091,449	4,991,460	(99,989)
5900	Federal Program Revenues	1,009,125	1,285,355	1,224,288	(61,067)
5020	Total Revenues	42,020,083	46,485,208	46,206,910	(278,298)
EXPENDITURES:					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	22,434,963	22,796,281	22,611,807	184,474
0012	Instructional Resources and Media Services	478,270	488,781	474,237	14,544
0013	Curriculum and Instructional Staff Development	129,327	333,845	220,032	113,813
	Total Instruction and Instr. Related Services	23,042,560	23,618,907	23,306,076	312,831
Instructional and School Leadership:					
0021	Instructional Leadership	697,525	790,824	766,667	24,157
0023	School Leadership	2,373,996	2,440,253	2,438,631	1,622
	Total Instructional and School Leadership	3,071,521	3,231,077	3,205,298	25,779
Student Support Services:					
0031	Guidance, Counseling and Evaluation Services	1,305,990	1,209,875	1,195,941	13,934
0032	Social Work Services	1,000	1,000	743	257
0033	Health Services	430,846	398,495	398,095	400
0034	Student Transportation	923,706	1,049,660	1,019,662	29,998
0036	Extracurricular Activities	1,729,686	1,917,217	1,857,000	60,217
	Total Student Support Services	4,391,228	4,576,247	4,471,441	104,806
Administrative Support Services:					
0041	General Administration	1,773,894	2,100,741	2,058,044	42,697
	Total Administrative Support Services	1,773,894	2,100,741	2,058,044	42,697
Support Services:					
0051	Facilities Maintenance and Operations	6,342,702	6,517,603	6,498,090	19,513
0052	Security and Monitoring Services	459,510	645,886	632,611	13,275
0053	Data Processing Services	915,898	794,006	748,459	45,547
	Total Support Services	7,718,110	7,957,495	7,879,160	78,335
Ancillary Services:					
0061	Community Services	300	570	270	300
	Total Ancillary Services	300	570	270	300
Debt Service:					
0071	Debt Service	894,473	897,981	897,980	1
0072	Interest on Long-Term Debt	84,492	80,984	80,981	3
0073	Bond Issuance Costs and Fees	400	400	400	--
	Total Debt Service	979,365	979,365	979,361	4
Capital Outlay:					
0081	Facilities Acquisition and Construction	--	5,725,461	5,712,616	12,845
	Total Capital Outlay	--	5,725,461	5,712,616	12,845
Intergovernmental Charges:					
0091	Contracted Instr. Services Between Public Schools	551,605	5,321,808	5,360,816	(39,008)

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
0095	Payments to Juvenile Justice Alternative				
0095	Education Programs	36,500	42,902	40,240	2,662
0099	Other Intergovernmental Charges	460,000	443,333	443,333	--
	Total Intergovernmental Charges	<u>1,048,105</u>	<u>5,808,043</u>	<u>5,844,389</u>	<u>(36,346)</u>
6030	Total Expenditures	<u>42,025,083</u>	<u>53,997,906</u>	<u>53,456,655</u>	<u>541,251</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(5,000)</u>	<u>(7,512,698)</u>	<u>(7,249,745)</u>	<u>262,953</u>
	Other Financing Sources (Uses):				
7912	Sale of Real and Personal Property	5,000	22,620	22,621	1
8911	Operating Transfers Out	--	(282,703)	(347,091)	(64,388)
7080	Total Other Financing Sources and (Uses)	<u>5,000</u>	<u>(260,083)</u>	<u>(324,470)</u>	<u>(64,387)</u>
1200	Net Change in Fund Balance	--	(7,772,781)	(7,574,215)	198,566
0100	Fund Balance - Beginning	20,907,473	20,907,473	20,907,474	1
3000	Fund Balance - Ending	<u>\$ 20,907,473</u>	<u>\$ 13,134,692</u>	<u>\$ 13,333,259</u>	<u>\$ 198,567</u>

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-2

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ --	\$ 219,962	\$ 362,081	\$ 142,119
5800	State Program Revenues	--	10,000	10,386	386
5900	Federal Program Revenues	--	2,504,052	2,861,694	357,642
5020	Total Revenues	--	2,734,014	3,234,161	500,147
EXPENDITURES:					
Current:					
Student Support Services:					
0035	Food Services	2,459,188	3,326,058	2,805,215	520,843
	Total Student Support Services	2,459,188	3,326,058	2,805,215	520,843
Support Services:					
0051	Facilities Maintenance and Operations	67,659	87,555	79,494	8,061
	Total Support Services	67,659	87,555	79,494	8,061
Capital Outlay:					
0081	Facilities Acquisition and Construction	--	180,997	146,112	34,885
	Total Capital Outlay	--	180,997	146,112	34,885
6030	Total Expenditures	2,526,847	3,594,610	3,030,821	563,789
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(2,526,847)	(860,596)	203,340	1,063,936
Other Financing Sources (Uses):					
7912	Sale of Real and Personal Property	--	2,500	1,320	(1,180)
7915	Operating Transfers In	--	282,703	282,703	--
7080	Total Other Financing Sources and (Uses)	--	285,203	284,023	(1,180)
1200	Net Change in Fund Balance	(2,526,847)	(575,393)	487,363	1,062,756
0100	Fund Balance - Beginning	2,693,971	2,693,971	2,693,970	(1)
3000	Fund Balance - Ending	\$ 167,124	\$ 2,118,578	\$ 3,181,333	\$ 1,062,755

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, 2023

	Measurement Year Ended August 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0179068799%	0.0161675773%	0.0169277600%	0.0177098759%	0.0188083878%	0.0179568271%	0.0184805858%	0.0188781000%	0.0106957000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 10,630,854	\$ 4,117,310	\$ 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	18,353,964	8,843,281	20,019,553	18,825,481	21,021,291	12,393,506	14,773,498	13,686,138	11,728,072
Total	<u>\$ 28,984,818</u>	<u>\$ 12,960,591</u>	<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	\$ 25,342,964	\$ 24,259,437	\$ 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	41.95%	16.97%	36.02%	39.17%	43.54%	25.34%	31.56%	32.78%	19.59%
Plan Fiduciary Net Position as a % of Total Pension Liability	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only nine 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, 2023

	Fiscal Year Ended August 31,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 1,112,364	\$ 835,588	\$ 689,997	\$ 698,444	\$ 619,867	\$ 629,986	\$ 588,046	\$ 587,175	\$ 588,989
Contribution in Relation to Contractually Required Contribution	(1,112,364)	(835,588)	(689,997)	(698,444)	(619,867)	(629,986)	(588,046)	(587,175)	(558,989)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,000</u>
District's Covered Payroll	\$ 27,035,312	\$ 25,342,964	\$ 24,259,437	\$ 25,172,805	\$ 23,502,063	\$ 24,903,114	\$ 22,656,661	\$ 22,128,177	\$ 20,650,249
Contributions as a % of Covered Payroll	4.11%	3.30%	2.84%	2.77%	2.64%	2.53%	2.60%	2.65%	2.85%

Note: Only nine 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, 2023

	Measurement Year Ended August 31,					
	2022	2021	2020	2019	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0259255346%	0.0252004822%	0.0273339344%	0.0267498656%	0.0285170667%	0.0265717836%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 6,207,611	\$ 9,720,952	\$ 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	7,572,311	13,023,909	13,962,829	16,809,471	21,147,981	18,300,293
Total	<u>\$ 13,779,922</u>	<u>\$ 22,744,861</u>	<u>\$ 24,353,692</u>	<u>\$ 29,459,810</u>	<u>\$ 35,386,813</u>	<u>\$ 29,855,365</u>
District's Covered Payroll	\$ 25,342,964	\$ 24,259,437	\$ 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	24.49%	40.07%	41.28%	53.83%	59.89%	51.00%
Plan Fiduciary Net Position as a % of Total OPEB Liability	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

Note: Only six 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, 2023

	Fiscal Year Ended August 31,					
	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 266,058	\$ 212,937	\$ 196,873	\$ 207,757	\$ 189,850	\$ 196,192
Contribution in Relation to Contractually Required Contribution	<u>(266,058)</u>	<u>(212,937)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 27,035,312	\$ 25,342,964	\$ 24,259,437	\$ 25,172,805	\$ 23,502,063	\$ 23,774,796
Contributions as a % of Covered Payroll	0.98%	0.84%	0.81%	0.83%	0.81%	0.83%

Note: Only six 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, 2023

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.

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Other Supplementary Information

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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2023

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2014 and Prior Years	\$	Various	\$	Various	\$	Various
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		1.0304		.1451		3,912,980,536
2022		1.0304		.1504		3,798,357,323
2023 (School Year Under Audit)		1.006		.1504		3,937,763,752
1000 Totals						

10 Beginning Balance 9/1/22	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/23
\$ 293,698	\$ --	\$ 16,023	\$ 4,269	\$ (104,864)	\$ 168,542
53,415	--	4,047	1,131	(152)	48,085
85,528	--	4,638	1,140	(150)	79,600
112,357	--	6,748	1,378	(1,003)	103,228
114,121	--	6,967	1,204	(367)	105,583
103,148	--	14,109	2,438	729	87,330
2,663,063	--	1,151,759	157,010	(1,259,435)	94,859
4,092,431	--	2,306,961	324,841	(1,359,107)	101,522
3,325,058	--	1,636,351	238,846	(1,323,477)	126,384
--	40,356,256	32,860,784	5,665,663	(1,527,344)	302,465
<u>\$ 10,842,819</u>	<u>\$ 40,356,256</u>	<u>\$ 38,008,387</u>	<u>\$ 6,397,920</u>	<u>\$ (5,575,170)</u>	<u>\$ 1,217,598</u>

Levies & Collections

Fiscal Year End	Levy Year	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%
08/31/22	2021	39,121,624	35,796,566	91.50%
08/31/23	2022	38,828,912	38,526,447	99.22%

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
AS OF AUGUST 31, 2023

<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
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.	\$ 3,620,001
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)	\$ 2,924,117
<u>Section B: Bilingual Education Programs</u>		
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.	\$ 140,450
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 108,724

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 6,563,846	\$ 6,574,650	\$ 10,804
5800	State Program Revenues	87,916	87,372	(544)
5020	Total Revenues	<u>6,651,762</u>	<u>6,662,022</u>	<u>10,260</u>
	EXPENDITURES:			
	Debt Service:			
0071	Debt Service	2,835,596	2,834,996	600
0072	Interest on Long-Term Debt	2,529,224	2,513,248	15,976
0073	Bond Issuance Costs and Fees	12,000	10,200	1,800
	Total Debt Service	<u>5,376,820</u>	<u>5,358,444</u>	<u>18,376</u>
6030	Total Expenditures	<u>5,376,820</u>	<u>5,358,444</u>	<u>18,376</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>1,274,942</u>	<u>1,303,578</u>	<u>28,636</u>
1200	Net Change in Fund Balance	<u>1,274,942</u>	<u>1,303,578</u>	<u>28,636</u>
0100	Fund Balance - Beginning	1,145,508	1,145,508	--
3000	Fund Balance - Ending	<u>\$ 2,420,450</u>	<u>\$ 2,449,086</u>	<u>\$ 28,636</u>

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

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

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

Members of the Board of Trustees:

We have audited, in accordance with 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, 2023, 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 5, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tuloso-Midway Independent School District's internal control over financial reporting (internal control) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 signature is written in a cursive, flowing style.

Lovvorn & Kieschnick, LLP

Corpus Christi, TX

February 5, 2024

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

Opinion on Each Major Federal Program

We have audited Tuloso-Midway Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Tuloso-Midway Independent School District's major federal programs for the year ended August 31, 2023. 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.

In our opinion, Tuloso-Midway Independent School District complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Tuloso-Midway Independent School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Tuloso-Midway Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Tuloso-Midway Independent School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the

compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Tuloso-Midway Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Tuloso-Midway Independent School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Tuloso-Midway Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Tuloso-Midway Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Tuloso-Midway Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 script is cursive and fluid.

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
February 5, 2024

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023

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: May 2023

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, para. 200.516(a)?? Yes X No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Supply Chain Assistance
10.555	State Pandemic EBT
84.425D	CRRSA ESSER II
84.425U	ARP 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

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023

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, 2023

<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, 2023

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, 2023

EXHIBIT K-1
Page 1 of 2

(1)	(2)	(2A)	(3)	
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Passed Through to Subre - cipients	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Passed Through Texas Department of Agriculture:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	099580680	\$ --	\$ 767,304
National School Lunch Program	10.555	099580680	--	1,466,496
State Pandemic Electronic Benefit Transfer	10.555	099580680	--	3,135
Supply Chain Assistance	10.555	099580680	--	125,583
Total Child Nutrition Cluster			--	2,362,518
Commodity Supplemental Food Program	10.565	099580680	--	187,608
CN Storage CE	10.560	099580680	--	8,478
Child and Adult Care Food Program	10.558	099580680	--	303,090
Total Passed Through Texas Department of Agriculture				2,861,694
Total U. S. Department of Agriculture			--	2,861,694
<u>U. S. Department of Health and Human Services</u>				
Passed Through Texas Health & Human Services Commission:				
Medicaid Administrative Claiming	93.778	HHS000537900182	--	35,504
Total Passed Through Texas Health & Human Services Commission			--	35,504
Passed Through State Department of Education:				
ELC Reopening Schools	93.323	HHS001114100001	--	175
Total Passed Through State Department of Education			--	175
Total U. S. Department of Health and Human Services			--	35,679
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
IDEA-B Cluster:				
IDEA-Part B, Formula	84.027A	236600011789126600	--	1,129,550
IDEA-Part B, Formula	84.027A	226600011789126600	--	75,115
IDEA - Part B, Formula - American Rescue Plan (ARP) Act of 2021	84.027X	225350021789125350	--	155,691
IDEA-Part B, Preschool	84.173A	236610011789126610	--	16,897
IDEA-Part B, Preschool	84.173A	226610011789126610	--	496
IDEA - Part B, Preschool - American Rescue Plan (ARP) Act of 2021	84.173X	225360021789125360	--	8,071
Total IDEA-B Cluster			--	1,385,820
ESEA Title I Part A - Improving Basic Programs	84.010A	23610101178912	--	1,050,491
ESEA Title I Part A - Improving Basic Programs	84.010A	22610101178912	--	51,642
Total ALN 84.010A			--	1,102,133
Career and Technical Education - Basic Grant	84.048A	23420006178912	--	46,276
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	23694501178912	--	151,768
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	23694501178912	--	5,258
Total ALN 84.367A			--	157,026

TULOSO-MIDWAY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

EXHIBIT K-1
Page 2 of 2

(1)	(2)	(2A)		(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Passed Through to Subre - cipients	Federal Expenditures
Title IV, Part A, Subpart 1	84.424A	23680101178912	--	103,957
ESSER Fund II of the CRRSA Act	84.425D	21521001178912	--	161,446
ESSER Fund III of the American Rescue Plan Act of 2021	84.425U	21528001178912	--	2,988,364
Total Passed Through State Department of Education			--	5,945,022
Total U. S. Department of Education			--	5,945,022
<u>U. S. Department of Defense</u>				
Passed Through State Department of Education:				
DFAS NJROTC	12.000	178-912	--	104,210
Total U. S. Department of Defense			--	104,210
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 8,946,605

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, 2023

Federal Assistance Reconciliation

Federal Grants and Contracts Revenues per Exhibit C-2	9,535,784
Less: School Health & Related Services (SHARS) reported in General Fund	<u>(589,179)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>8,946,605</u>

Basis of Presentation

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

Summary of Significant Accounting Policies

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

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