# Mesquite Independent School District

Annual Financial Report

For The Year Ended August 31, 2020



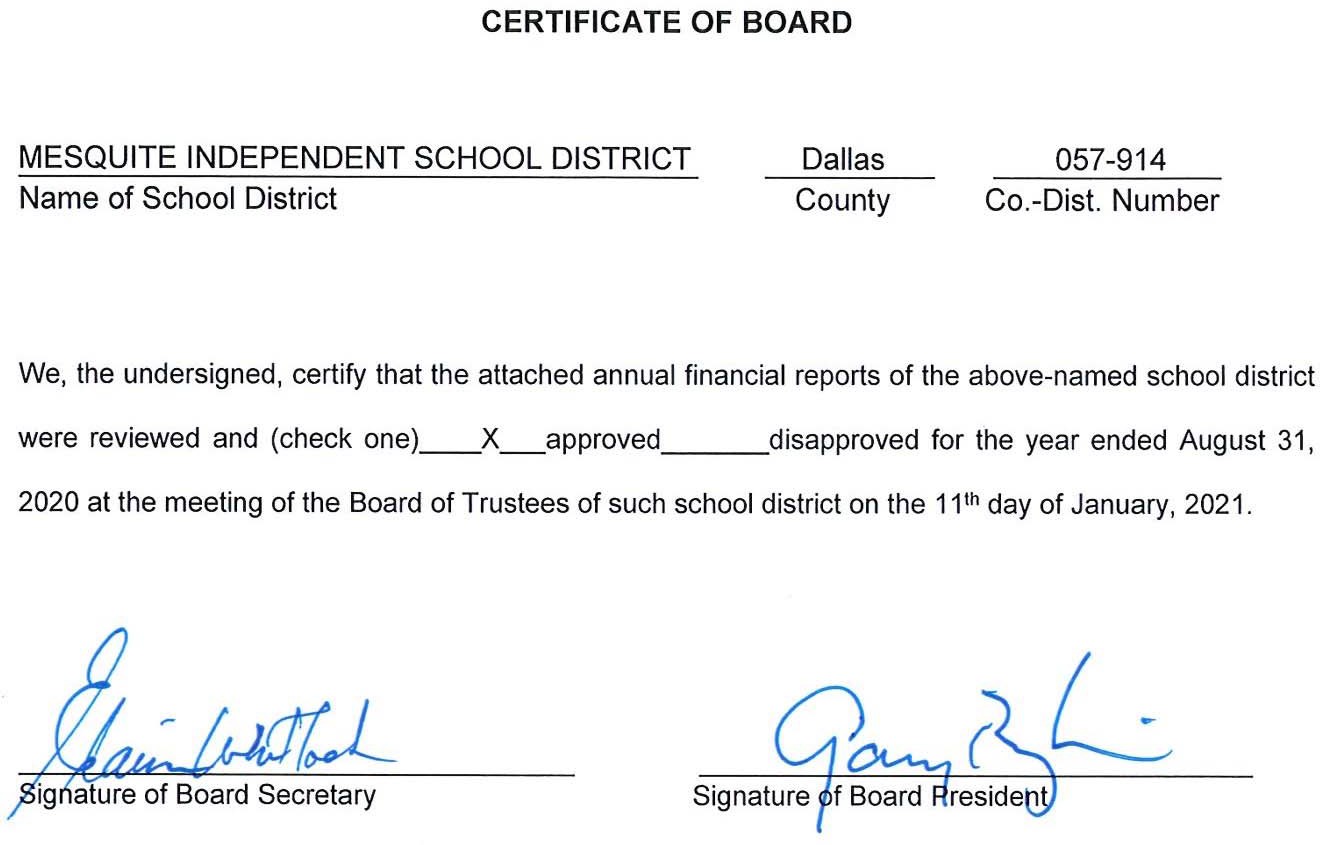
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**Introductory Section**

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# Financial Section

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##### Independent Auditor’s Report

Board of Trustees

Mesquite Independent School District Mesquite, Texas

##### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mesquite Independent School District (the District), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

###### *Management’s Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

###### *Auditor’s Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

###### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P. 2300 North Field Street, Suite 1000 ***|*** Dallas, Texas 75201

Main: 972.490.1970

**CPAs AND ADVISORS | WEAVER.COM**

###### *Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 7-12, budgetary comparison, net pension liability and net OPEB liability information on pages 64-71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining statements and schedules, required TEA schedules, and the School First Questionnaire are presented for purposes of additional analysis and are 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards (Uniform Guidance), and is also not a required part of the basic financial statements.

The combining statements and schedules, required TEA schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules, required TEA schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The School First Questionnaire has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2021, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District’s internal control over financial reporting and compliance.

Weaver signature 

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas January 8, 2021

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

##### Financial Highlights

Government wide

* The District’s Total Net Position was $186,714,702, unrestricted net position was $(153,808,910), net investment in capital assets was $310,170,383, net position restricted for food service was

$6,768,228 and net position restricted for debt service was $23,585,001.

Fund level statements

* The District’s General Fund Balance was $126,261,007, an increase of $6,849,181 from the prior year.
* The District’s Debt Service Fund Balance was $29,162,228, an increase of $4,163,919 from the prior year.
* The District’s Capital Projects Fund Balance was $243,006,409, an increase of $69,253,043 from the prior year.
* The District’s Food Service Special Revenue Fund Balance was $6,768,227, a decrease of

$486,188 from the prior year.

##### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** *The government-wide financial statements* are

designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The *statement of net positon* presents information on all of the District’s assets, deferred outflows of resources and liabilities, and deferred inflows of resources, with the difference reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year’s revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District’s government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities)* as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 13-14 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance- related requirements. The fund financial statements provide more detailed information about the District’s most significant funds - not the District as a whole.

* Some funds are required by State law and/or bond covenants.
* Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

* ***Governmental funds:*** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.* The District maintains thirty-seven governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, food service fund, debt service fund, capital projects fund, and textbook allotment fund, all five of which are considered to be major funds. Data from the other thirty-two governmental funds are classified as local, state or federal funds and then combined into a single, aggregated presentation. Fund data for these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 16-22 of this report.
* ***Proprietary funds.*** *Proprietary funds* provide the same type of information as the government- wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. As mentioned above in the government-wide definition, the District has no *business-type activities* or *enterprise funds.* The second type of proprietary fund is the *internal service fund.* Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for its self-funded health and workers’ compensation insurance programs. The basic proprietary fund financial statements can be found on pages 23- 25 of this report.
* ***Fiduciary funds.*** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District’s own programs. The District is the trustee, or *fiduciary,* for these funds and 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 assets and a statement of changes in fiduciary net assets that can be found on pages 26-27. These activities are excluded from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

**Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-62 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 64- 71 of this report.

The combining statements in connection with non-major governmental funds, internal service funds and private purpose trust funds are presented immediately following the required supplementary information. Combining statements can be found on pages 74-80 of this report.

##### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by $186,714,702 as of August 31, 2020.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **The District’s Net Position** | | | | | | |
| 2020 | | |  | 2019 |  | Difference |
| Current and other assets Capital assets  Long-term investments | | $ 412,766,810  890,691,557  64,855,969 |  | $ 288,656,316  775,671,069  93,794,368 |  | $ 124,110,494  115,020,488  (28,938,399) |
| Total assets | | 1,368,314,336 |  | 1,158,121,753 |  | 210,192,583 |
| Deferred Outflows of Resources | | 126,813,392 |  | 136,532,676 |  | (9,719,284) |
| Long-term liabilities outstanding Other liabilities | | 1,150,347,595  71,545,177 |  | 1,018,571,287  55,276,711 |  | 131,776,308  16,268,466 |
| Total liabilities | | 1,221,892,772 |  | 1,073,847,998 |  | 148,044,774 |
| Deferred Inflows of Resources | | 86,520,254 |  | 55,770,093 |  | 30,750,161 |
| Net position:  Net investment in capital Restricted  Unrestricted | assets | 310,170,383  30,353,229  (153,808,910) |  | 285,144,104  26,673,119  (146,780,885) |  | 25,026,279  3,680,110  (7,028,025) |

**Total net position** $ 186,714,702 $ 165,036,338 $ 21,678,364

**Governmental activities.** The District’s total net position increased by $21,678,364. Although the District reports a deficit for the unrestricted net position, the deficit is primarily due to reporting the District’s proportionate share of the net OPEB liability. The total district liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the TRS-Care plan is funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District’s ongoing obligations to students and creditors. The total cost of all governmental activities this year was $508,000,449. The amount that our taxpayers paid for these activities through property taxes was $132,012,961 or 26.0%.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Management’s Discussion And Analysis** | | | | | | | |
| **Changes in the District’s Net Position** | | | | | | | |
|  | 2020 |  |  | 2019 | Difference | | |
| Rev enues: |  |  |  |  |  |  |  |
| Program revenues: |  |  |  |  |  |  |  |
| Charges for services | $ 5,997,870 | $ | 7,892,874 | $ | (1,895,004) |
| Operating grants & contributions | 126,444,183 |  | 121,861,725 |  | 4,582,458 |
| General revenues: |  |  |  |  |  |
| Property taxes | 132,012,961 |  |  | 127,116,753 |  |  | 4,896,208 |
| State grants | 257,001,078 | 244,283,158 | 12,717,920 |
| Other | 8,222,721 | 15,974,503 | (7,751,782) |
| Total revenues | 529,678,813 |  |  | 517,129,013 |  |  | 12,549,800 |
| Expenses:  Instruction  Instructional resources & media services Curriculum & staff dev elopment  Instructional leadership School leadership Guidance, counseling &  ev aluation services Social work serv ices Health serv ices  Student (pupil) transportation Food Services  Co-curricular/extracurricular activities General administration  Plant maintenance & operations Security and monitoring services Data processing services Community services  Debt serv ice-interest on long-term debt Bond issuance costs and fees  Facilities acquisition & construction Payments to juvenile justice alternativ e  education program Payments to tax increment fund  Other Intergov ernmental charges | 292,570,352 |  |  | 278,599,291 |  |  | 13,971,061 |
| 6,716,294 | 6,495,784 | 220,510 |
| 6,454,199 | 6,303,907 | 150,292 |
| 9,659,755 | 9,240,805 | 418,950 |
| 25,361,049 | 23,835,868 | 1,525,181 |
| 22,129,251 | 20,357,940 | 1,771,311 |
| 1,015,991 | 913,940 | 102,051 |
| 5,100,239 | 4,815,498 | 284,741 |
| 8,039,998 | 6,912,255 | 1,127,743 |
| 23,290,263 | 24,530,339 | (1,240,076) |
| 10,416,121 | 10,946,535 | (530,414) |
| 11,508,498 | 9,983,920 | 1,524,578 |
| 39,766,332 | 37,336,167 | 2,430,165 |
| 4,513,198 | 4,014,902 | 498,296 |
| 10,055,978 | 8,908,915 | 1,147,063 |
| 1,031,716 | 1,029,810 | 1,906 |
| 23,263,856 | 26,551,227 | (3,287,371) |
| 2,145,868 | 191,140 | 1,954,728 |
| 1,334,647 | 990,849 | 343,798 |
| 23,484 | 50,424 | (26,940) |
| 3,183,867 | 3,216,624 | (32,757) |
| 419,493 | 406,205 | 13,288 |
| Total expenses | 508,000,449 |  |  | 485,632,345 |  |  | 22,368,104 |
| Increase in Net Position | 21,678,364 |  |  | 31,496,668 |  |  | (9,818,304) |
| Beginning Net Position | 165,036,338 |  |  | 133,539,670 |  |  | 31,496,668 |
| **Ending Net Position** | $ 186,714,702 |  | $ | 165,036,338 |  | $ | 21,678,364 |

##### Management’s Discussion And Analysis Financial Analysis of the District’s Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance- related legal requirements, bond covenants, and segregation for particular purposes.

***Governmental funds.*** The focus of the District’s *governmental funds* is to provide information on near- term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District’s financing requirements. In particular, *unreserved, undesignated fund balance* may serve as a useful measure of the District’s net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of $405,626,893, an increase of $79,778,161. Approximately 28.9 percent or $117,105,254 constitutes unassigned fund balance. The remainder of fund balance is designated to indicate that it is not available for new spending as follows: non-spendable, inventory $3,106,998, and prepaid expenditures $494,778; restricted, debt service $29,162,228, food service $5,923,149, capital acquisitions

$243,006,409, and state special revenue, $211,967; committed, local special revenue, $217,055; assigned, $6,399,055.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $117,105,254, while the total fund balance was

$126,261,007. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 32.2 percent of the total general fund expenditures, while total fund balance represents 34.8 percent of that same amount.

***Proprietary funds.*** As mentioned earlier, the District’s proprietary funds provide detailed information concerning the District’s health and workers compensation internal service funds.

Unrestricted net position at August 31, 2020, amounted to $1,299,247.

##### General Fund Budgetary Highlights

The budget was amended several times during the fiscal year 2020. The district made the following amendments to budgeted revenue:

* $ 1,201,300 increase in local revenue
* $ 1,220,750 increase in state revenue
* $ 445,000 increase in federal revenue
* $ 0 decrease in other resources

Following is a summary of amendments made to appropriations:

* $ 11,634,550 decrease for instructional services
* $ 3,950 increase for instructional and school leadership
* $ 208,450 increase for student services
* $ 91,900 decrease for general administration
* $ 1,605,000 increase for support services
* $ 2,221,050 increase for data processing
* $ 8,900 decrease for ancillary services
* $ 2,400 increase for capital outlay
* $ 5,357,500 increase for intergovernmental charges and other uses

##### Management’s Discussion And Analysis Capital Asset and Debt Administration

**Capital assets.** The District’s investment in capital assets for its governmental activities as of August 31, 2020, amounts to $890,691,557 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment and construction in progress.

##### District’s Capital Assets

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **(net of depreciation)** |  | | | |
| 2020 |  | 2019 |  | Difference |
| Land | $ 20,405,711 |  | $ 20,203,589 |  | $ 202,122 |

|  |  |  |  |
| --- | --- | --- | --- |
| Buildings and improv ements | 944,988,655 | 888,029,534 | 56,959,121 |
| Furniture & equipment | 190,870,855 | 179,472,567 | 11,398,288 |
| Construction in progress | 179,562,676 | 100,921,193 | 78,641,483 |

Totals at historical cost $ 1,335,827,897 $ 1,188,626,883 $ 147,201,014

**Long-term debt.** At the end of August 31, 2020, the District had total bonded debt outstanding of

$748,269,389, an increase of $139,799,622 from the prior year. The “AAA” long-term rating on the District’s Texas’ bonds reflects the Texas Permanent School Fund guarantee. The “AA” Standard & Poor’s and “AA+” Fitch ratings on the District’s unenhanced debt reflects the District’s: 1) participation in the strong and growing Dallas area economy, 2) very strong administrative management, and 3) superior cash position.

Assessed values (AVs) have increased an average of 8.3% annually from fiscal 2016-2020, with an increase in 2020 of 9.6%. Top ten taxpayers account for about 5.1% of a diversified tax roll, where residential property comprises roughly 62.8% of the District’s AV and commercial property accounts for approximately 27.2%. The economic base includes retail, telecommunications, manufacturing, warehousing, and distribution enterprises

Additional information on the District’s OPEB liability can be found in Note 12 to the financial statements as indicated in the table of contents of this report.

##### Economic Factors and Next Year’s Budgets and Rates

* The District’s student attendance rate was 97.7% percent for 2020.
* The District’s enrollment has experienced a decrease of 1.30% percent

Budget for 2021

* Local revenue increased $8,686,080, state aid increased $1,708,850, federal revenue increased

$2,850,600 and other sources decreased $94,773,150 for a total net decrease of $81,527,620.

* Expenditures for 2021 increased $9,947,800 in the general fund due to salary increases, increased for debt service $5,221,400, decreased for capital projects $39,019,900, increased for child nutrition funds $4,550,600, for a total net decrease of $19,300,100.

##### Contacting the District’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, 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 District’s Business Services Department, Mesquite ISD, 3819 Towne Crossing Blvd, Mesquite, Texas 75150.

|  |  |  |  |
| --- | --- | --- | --- |
| **Mesquite Independent School District** | | **Exhibit A-1** | |
| Statement of Net Position | | | |
| August 31, 2020 | | | |
| **Data** |  |  |  |
| **Control** |  |  |  |
| **Codes** |  |  |  |
| **Governmental** | | | |
|  |  |  | **Activities** |
|  | **ASSETS** |  |  |
| **1110** | Cash and cash equivalents | $ | 190,493,801 |
| **1120** | Investments |  | 192,104,146 |
| **1220** | Delinquent property taxes receiv able |  | 7,730,693 |
| **1230** | Allow ance for uncollectable taxes (credit) |  | (2,051,342) |
| **1240** | Due from other governments |  | 19,805,146 |
| **1250** | Accrued interest |  | 335,202 |
| **1290** | Other receivables (net) |  | 616,036 |
| **1300** | Inventories |  | 3,228,592 |
| **1410** | Prepaid expenditures or expenses |  | 494,778 |
| **1490** | Other current assets |  | 9,758 |
|  | Capital assets: |  |  |
| **1510** | Land |  | 20,405,711 |
| **1520** | Buildings and improv ements (net) |  | 621,500,480 |
| **1530** | Furniture and equipment (net) |  | 69,222,690 |
| **1580** | Construction in progress |  | 179,562,676 |
| **1910** | Long-term investments |  | 64,855,969 |
| **1000** | Total Assets |  | 1,368,314,336 |
|  | **DEFERRED OUTFLOWS OF RESOURCES** |  |  |
| **1701** | Accumulated decrease in fair value of |  |  |
|  | hedging deriv ative |  | 4,915,131 |
| **1702** | Deferred loss on refunding |  | 40,934,132 |
| **1705** | Related to TRS Pension |  | 58,371,708 |
| **1706** | Related to TRS OPEB |  | 22,592,421 |
| **1700** | Total deferred outflows of resources |  | 126,813,392 |
|  | **LIABILITIES** |  |  |
| **2110** | Accounts payable |  | 31,942,549 |
| **2140** | Interest payable |  | 1,612,760 |
| **2150** | Payroll deductions and withholdings |  | 2,920,151 |
| **2160** | Accrued wages payable |  | 24,554,083 |
| **2180** | Due to other governments |  | 4,403,668 |
| **2200** | Accrued expenditures or expenses |  | 858,834 |
| **2300** | Unearned revenue |  | 338,001 |
| **2302** | Derivative instrument |  | 4,915,131 |
|  | Noncurrent liabilities: |  |  |
| **2501** | Due within one year |  | 29,266,627 |
| **2502** | Due in more than one year |  | 855,360,319 |
| **2540** | Net pension liability (District's share) |  | 122,879,364 |
| **2545** | Net OPEB liability (District's share) |  | 142,841,285 |
| **2000** | Total Liabilities |  | 1,221,892,772 |
|  | **DEFERRED INFLOWS OF RESOURCES** |  |  |
| **2605** | Related to TRS Pension |  | 22,083,399 |
| **2606** | Related to TRS OPEB |  | 64,436,855 |
| **2600** | Total deferred inflows of resources |  | 86,520,254 |
|  | **NET POSITION** |  |  |
| **3200** | Net inv estment in capital assets |  | 310,170,383 |
|  | Restricted for: |  |  |
| **3820** | Food service |  | 6,768,228 |
| **3850** | Debt service |  | 23,585,001 |
| **3900** | Unrestricted net position |  | (153,808,910) |
| **3000** | **Total net position** | $ | 186,714,702 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Mesquite Independent School District**  Statement of Activities | |  | |  |  |  |  |  | **Exhibit B-1** |
| For the Year Ended August 31, 2020 | | | | | | | | | |
| **Net (Expense) Revenue and** | | | | | | | | | |
|  |  | **1** | | **Program Revenues 3 4** | | | **Changes in Net Position**  **6** | | |
| **Data Control**  **Codes** |  | **Expenses** | | **Charges for Services** |  | **Operating Grants and**  **Contributions** | **Governmental Activities** | | |
| **GOVERNMENTAL ACTIVITIES:** | | | | | | | | | |
| **11** | nstruction  nstructional resources and media services Curriculum and staff dev elopment nstructional leadership  School leadership  Guidance, counseling, and ev aluation serv ices Social work serv ices  Health serv ices Student transportation Food serv ice  Extracurricular activ ities General administration  Plant maintenance and operations Security and monitoring services Data processing services Community serv ices  nterest on long-term debt Bond issuance costs and fees  Facilities acquisition and construction Payments to juv enile justice alternativ e  education programs Payments to Tax Increment Fund  Other intergovernmental charges | $ 292,570,352 | $ 708,502 $ 56,646,207 | | | |  | $ | (235,215,643) |
| **12** | 6,716,294 | - 819,859 | | | |  | (5,896,435) |
| **13** | 6,454,199 | - 4,513,007 | | | |  | (1,941,192) |
| **21** | 9,659,755 | - 2,573,346 | | | |  | (7,086,409) |
| **23** | 25,361,049 | - 3,335,337 | | | |  | (22,025,712) |
| **31** | 22,129,251 | - 3,746,681 | | | |  | (18,382,570) |
| **32** | 1,015,991 | - 1,792,414 | | | |  | 776,423 |
| **33** | 5,100,239 | - 679,200 | | | |  | (4,421,039) |
| **34** | 8,039,998 | - 2,020,908 | | | |  | (6,019,090) |
| **35** | 23,290,263 | 2,179,761 18,737,792 | | | |  | (2,372,710) |
| **36** | 10,416,121 | 2,852,052 1,083,113 | | | |  | (6,480,956) |
| **41** | 11,508,498 | - 1,484,191 | | | |  | (10,024,307) |
| **51** | 39,766,332 | 257,555 4,108,000 | | | |  | (35,400,777) |
| **52** | 4,513,198 | - 345,364 | | | |  | (4,167,834) |
| **53** | 10,055,978 | - 1,057,161 | | | |  | (8,998,817) |
| **61** | 1,031,716 | - 2,217,132 | | | |  | 1,185,416 |
| **72** | 23,263,856 | - 20,376,022 | | | |  | (2,887,834) |
| **73** | 2,145,868 | - - | | | |  | (2,145,868) |
| **81** | 1,334,647 | - 908,449 | | | |  | (426,198) |
| **95** |  |  | | | |  |  |
|  | 23,484 | - - | | | |  | (23,484) |
| **97** | 3,183,867 | - - | | | |  | (3,183,867) |
| **99** | 419,493 | - - | | | |  | (419,493) |
| **[TP]** | **TOTAL PRIMARY GOVERNMENT:** | 508,000,449 | | 5,997,870 |  | 126,444,183 |  |  | (375,558,396) |
|  | Data | General Revenues: | |  |  |  |  |  |  |
|  | Control |  | |  |  |  |  |  |  |
|  | Codes | Taxes | |  |  |  |  |  |  |
|  | MT | Property Taxes, Lev ied for General Purposes Property Taxes, Levied for Debt Service  State Aid - Formula Grants Miscellaneous  I nvestment Earnings | | | | |  |  | 88,298,078 |
| DT | 43,714,883 |
| SF | 257,001,078 |
| MI | 813,612 |
| I E | 7,409,109 |
|  | TR | Total general rev enues | | |  |  |  |  | 397,236,760 |
|  | CN | Change in net position | | | | |  |  | 21,678,364 |
|  | NB | Net position-beginning | |  |  |  |  |  | 165,036,338 |
|  | NE | Net position-ending | |  |  |  |  | $ | 186,714,702 |

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## Mesquite Independent School District

#### Balance Sheet Governmental Funds August 31, 2020

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Data** |  |  | **10** |  |  | **24** |  |  | **50** |
| **Control** |  |  |  |  |  |  |  |  | **Debt** |
| **Codes** |  |  | **General** |  |  | **Food** |  |  | **Service** |
|  |  | **Fund** | |  |  | **Service** |  |  | **Fund** |
|  | **ASSETS** |  | |  | | | | | |
| **1110** | Cash and cash equivalents | $ | 43,520,722 |  | $ | 2,864,347 |  | $ | 12,578,954 |
| **1120** | Inv estments |  | 104,903,447 |  |  | 5,005,009 |  |  | 15,078,989 |
| **1220** | Property taxes delinquent |  | 5,493,037 |  |  | - |  |  | 2,237,656 |
| **1230** | Allowance for uncollectable taxes (credit) |  | (1,457,579) |  |  | - |  |  | (593,763) |
| **1240** | Due from other governments |  | 132,673 |  |  | 315,725 |  |  | - |
| **1250** | Accrued interest |  | 115,557 |  |  | 31,654 |  |  | - |
| **1260** | Due from other funds |  | 22,593,521 |  |  | - |  |  | 1,497,526 |
| **1290** | Other receivables |  | 556,131 |  |  | - |  |  | 59,242 |
| **1300** | Inv entories |  | 2,261,920 |  |  | 845,078 |  |  | - |
| **1410** | Prepaid expenditures |  | 494,778 |  |  | - |  |  | - |
| **1000** | Total assets | $ | 178,614,207 |  | $ | 9,061,813 |  | $ | 30,858,604 |
| **LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES** | | | | | | | | | |
|  | LIABILI TIES: |  |  |  |  |  |  |  |  |
| **2110** | Accounts payable | $ | 14,213,834 |  | $ | 1,170,260 |  | $ | 52,481 |
| **2150** | Payroll deductions and withholdings payable |  | 2,920,151 |  |  | - |  |  | - |
| **2160** | Accrued wages payable |  | 24,012,185 |  |  | 534,036 |  |  | - |
| **2170** | Due to other funds |  | 2,644,455 |  |  | 374,812 |  |  | - |
| **2180** | Due to other governments |  | 4,403,668 |  |  | - |  |  | - |
| **2300** | Unearned revenue |  | 123,449 |  |  | 214,478 |  |  | - |
| **2000** | Total liabilities |  | 48,317,742 |  |  | 2,293,586 |  |  | 52,481 |
|  | DEFERRED INFLOWS: |  |  |  |  |  |  |  |  |
| **2600** | Unavailable revenue |  | 4,035,458 |  |  | - |  |  | 1,643,895 |
|  | Total deferred inflows |  | 4,035,458 |  |  | - |  |  | 1,643,895 |
|  | FUND BALANCES: |  |  |  |  |  |  |  |  |
|  | Nonspendable |  |  |  |  |  |  |  |  |
| **3410** | Inv entories |  | 2,261,920 |  |  | 845,078 |  |  | - |
| **3430** | Prepaid expenditures |  | 494,778 |  |  | - |  |  | - |
|  | Restricted |  |  |  |  |  |  |  |  |
| **3480** | Debt service |  | - |  |  | - |  |  | 29,162,228 |
| **3470** | Capital acquisitions program |  | - |  |  | - |  |  | - |
| **3450** | Food serv ice |  | - |  |  | 5,923,149 |  |  | - |
| **3490** | State Special Rev enue |  | - |  |  | - |  |  | - |
|  | Committed |  |  |  |  |  |  |  |  |
| **3545** | Local Special Revenue |  | - |  |  | - |  |  | - |
| **3590** | Assigned |  | 6,399,055 |  |  | - |  |  | - |
| **3600** | Unassigned |  | 117,105,254 |  |  | - |  |  | - |
| **3000** | Total fund balances |  | 126,261,007 |  |  | 6,768,227 |  |  | 29,162,228 |
| **4000** | **Total liabilities, deferred inflows,** |  |  |  |  |  |  |  |  |
|  | **and fund balances** | $ | 178,614,207 |  | $ | 9,061,813 |  | $ | 30,858,604 |

The Notes to Financial Statements are an integral part of this statement.

## Exhibit C-1

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **60**  **Capital**  **Projects** | |  | **Non-Major Governmental**  **Funds** |  | **98**  **Total Governmental**  **Funds** |
| $ | 126,077,745 |  | $ - |  | $ 185,041,768 |
|  | 131,972,670 | - | 256,960,115 |
|  | - | - | 7,730,693 |
|  | - | - | (2,051,342) |
|  | - | 19,356,748 | 19,805,146 |
|  | 187,991 | - | 335,202 |
|  | 915,572 | 218,268 | 25,224,887 |
|  | - | 663 | 616,036 |
|  | - | - | 3,106,998 |
|  | - | - | 494,778 |
| $ | 259,153,978 |  | $ 19,575,679 |  | $ 497,264,281 |
| $ | 16,147,569 |  | $ 279,788 |  | $ 31,863,932 |
|  | - | - | 2,920,151 |
|  | - | 7,862 | 24,554,083 |
|  | - | 18,858,933 | 21,878,200 |
|  | - | - | 4,403,668 |
|  | - | 74 | 338,001 |
|  | 16,147,569 |  | 19,146,657 |  | 85,958,035 |
|  | - |  | - |  | 5,679,353 |
|  | - |  | - |  | 5,679,353 |
|  | - |  | - |  | 3,106,998 |
| - | - | 494,778 |
|  | - |  | - |  | 29,162,228 |
| 243,006,409 | - | 243,006,409 |
| - | - | 5,923,149 |
| - | 211,967 | 211,967 |
|  | - |  | 217,055 |  | 217,055 |
| - | - | 6,399,055 |
| - | - | 117,105,254 |
|  | 243,006,409 |  | 429,022 |  | 405,626,893 |
| $ | 259,153,978 |  | $ 19,575,679 |  | $ 497,264,281 |

**Mesquite Independent School District Exhibit C-1R**

#### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

August 31, 2020

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** $ 405,626,893

The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities

of the internal service funds are included in governmental activities in the statement

of net position. 1,299,247

Capital assets (net) used in gov ernmental activ ities are not financial resources and

therefore are not reported in gov ernmental fund financial statements. 890,691,557

Bonds payable have not been included in the governmental fund financial

statements. (748,269,389)

Accreted interest for capital appreciation bonds have not been included in the

gov ernmental fund financial statements. (19,158,560)

Unav ailable revenue in the fund financial statements was recorded as revenue

in the district-w ide financial statements. 5,679,353

Unused leav e is accrued in the district-w ide financial statements, whereas in the fund financial statements, an expenditure for unused leav e is reported

when due. (1,333,220)

Interest is accrued on outstanding debt in the district-w ide financial statements, whereas in the fund financial statements, an interest expenditure is

reported when due. (1,612,760)

Premium on the issuance of bonds reported as net other financing sources on the fund financial statements is capitalized and amortized in the district-w ide

financial statements. (115,865,777)

For debt refundings, the difference between the acquisition price and the net carrying amount of the debt has been deferred and amortized in the district-wide

financial statements. 40,934,132

Included in the items related to debt is the recognition of the District's proportionate share of the TRS net pension liability ($122,879,364) and a deferred inflow of resources ($22,083,399), and a deferred outflow of resources $58,371,708.

The result is a decrease in net position. (86,591,055)

Included in the items related to debt is the recognition of the District's proportionate share of the TRS net OPEB liability ($142,841,285) and a deferred inflow of

resources ($64,436,855), and a deferred outflow of resources $22,592,421.

The result is a decrease in net position. (184,685,719)

**NET POSITION OF GOVERNMENTAL ACTIVITIES** $ 186,714,702

The Notes to Financial Statements are an integral part of this statement.

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| --- | --- | --- | --- | --- | --- | --- |
| **Mesquite Independent School District** | | | | | | |
| Statement of Revenues, Expenditures, and Changes in Fund Balance | | | | | | |
| Governmental Funds | | | | | | |
| For the Year Ended August 31, 2020 | | | | | | |
| **Data** |  | **10** | **24** |  |  | **50** |
| **Control** |  | **General** | **Food** | **Debt Service** | | |
| **Codes** |  | **Fund** | **Service** |  |  | **Fund** |
| **REVENUES** | | | | | | |
| 5700 | Local and intermediate sources | $ 96,941,793 $ | 2,355,216 |  | $ | 44,410,793 |
| 5800 | State program rev enues | 275,692,362 | 1,850,340 |  |  | 20,376,022 |
| 5900 | Federal program rev enues | 3,974,706 | 15,276,430 |  |  | - |
| 5020 | Total rev enues | 376,608,861 | 19,481,986 |  |  | 64,786,815 |
| **EXPENDITURES** | | | | | | |
| CURRENT: | | | | | | |
| 0011 | I nstruction | 211,559,530 | - |  |  | - |
| 0012 | I nstructional resources and media serv ices | 6,208,669 | - |  |  | - |
| 0013 | Curriculum and staff dev elopment | 3,829,566 | - |  |  | - |
| 0021 | I nstructional leadership | 6,889,245 | - |  |  | - |
| 0023 | School leadership | 19,745,382 | - |  |  | - |
| 0031 | Guidance, counseling, and ev aluation serv ices | 16,426,443 | - |  |  | - |
| 0032 | Social w ork serv ices | 220,715 | - |  |  | - |
| 0033 | Health serv ices | 3,994,527 | - |  |  | - |
| 0034 | Student transportation | 6,623,511 | - |  |  | - |
| 0035 | Food serv ice | 1,228,214 | 19,609,032 |  |  | - |
| 0036 | Extracurricular activ ities | 9,224,421 | - |  |  | - |
| 0041 | General administration | 9,190,689 | - |  |  | - |
| 0051 | Plant maintenance and operations | 35,540,859 | - |  |  | - |
| 0052 | Security and monitoring serv ices | 4,166,516 | - |  |  | - |
| 0053 | Data processing serv ices | 10,569,718 | - |  |  | - |
| 0061 | Community serv ices | 264,579 | - |  |  | - |
| DEBT SERVI CE: | | | | | | |
| 0071 | Principal on long-term debt | - | - |  |  | 24,405,378 |
| 0072 | Interest on long-term debt | - | - |  |  | 35,627,559 |
| 0073 | Bond issuance costs and fees | - | - |  |  | 394,629 |
| CAPI TAL OUTLAY | | | | | | |
| 0081 | Facilities acquisition and construction | 13,871,130 | - |  |  | - |
| INTERGOVERNM ENTAL: | | | | | | |
| 0095 | Payments to juv enile justice alternativ e Ed. Prg | 23,484 | - |  |  | - |
| 0097 | Payments to tax increment fund | 3,183,867 | - |  |  | - |
| 0099 | Other intergov ernmental expenditures | 419,493 | - |  |  | - |
| 6030 | Total expenditures | 363,180,558 | 19,609,032 |  |  | 60,427,566 |
| 1100 | Excess (deficiency) of revenues ov er |  |  |  |  |  |
|  | expenditures | 13,428,303 | (127,046) |  |  | 4,359,249 |
| **OTHER FINANCING SOURCES (USES) :** | | | | | | |
| 7901 | Refunding bonds issued | - | - |  |  | 11,940,000 |
| 7911 | Capital-related debt issued (regular bonds) | - | - |  |  | - |
| 7912 | Sale of real or personal property | 40,402 | - |  |  | - |
| 7915 | Transfers in | 391,200 | 32,058 |  |  | - |
| 7916 | Premium or discount on issuance of bonds | - | - |  |  | 2,001,805 |
| 7949 | Other resources | - | - |  |  | - |
| 8911 | Transfers out | (6,651,290) | (391,200) |  |  | - |
| 8940 | Payment to refund bonds | - | - |  |  | (13,974,862) |
| 8949 | Other uses | (359,434) |  |  |  | (162,273) |
| 7080 | Total other financing sources (uses) | (6,579,122) | (359,142) |  |  | (195,330) |
| 1200 | Net change in fund balances | 6,849,181 | (486,188) |  |  | 4,163,919 |
| 0100 | Fund balances--beginning | 119,411,826 | 7,254,415 |  |  | 24,998,309 |
| 3000 | **Fund balances--ending** | $ 126,261,007 $ | 6,768,227 |  | $ | 29,162,228 |

The Notes to Financial Statements are an integral part of this statement.

**Exhibit C-2**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **60**  **Capital**  **Project****s** |  | **Non-Major Governmental**  **Fund****s** |  | **98**  **Total Governmental**  **Funds** |
| $ | 3,308,699 |  | $ 966,180 |  | $ 147,982,681 |
|  | - | 3,978,926 | 301,897,650 |
|  | - | 28,689,283 | 47,940,419 |
|  | 3,308,699 |  | 33,634,389 |  | 497,820,750 |
|  | - |  | 27,386,598 |  | 238,946,128 |
| - | 39,829 | 6,248,498 |
| - | 1,470,772 | 5,300,338 |
| - | 830,642 | 7,719,887 |
| - | 587,255 | 20,332,637 |
| - | 1,190,457 | 17,616,900 |
| - | 490,273 | 710,988 |
| - | 75,995 | 4,070,522 |
| - | 300,663 | 6,924,174 |
| - | - | 20,837,246 |
| 987,655 | 60,463 | 10,272,539 |
| 326,549 | 334,950 | 9,852,188 |
| 597,041 | 750,154 | 36,888,054 |
| 94,361 | - | 4,260,877 |
| 264,881 | 1,070 | 10,835,669 |
| - | 420,945 | 685,524 |
|  | - |  | - |  | 24,405,378 |
| - | - | 35,627,559 |
| 1,441,377 | - | 1,836,006 |
|  | 128,130,236 |  | 3,351 |  | 142,004,717 |
|  | - |  | - |  | 23,484 |
| - | - | 3,183,867 |
| - | - | 419,493 |
|  | 131,842,100 |  | 33,943,417 |  | 609,002,673 |
|  | (128,533,401) |  | (309,028) |  | (111,181,923) |
|  | - |  | - |  | 11,940,000 |
| 165,930,000 | - | 165,930,000 |
| - | - | 40,402 |
| 6,000,000 | 307,234 | 6,730,492 |
| 25,519,471 | - | 27,521,276 |
| 336,973 | - | 336,973 |
| - | - | (7,042,490) |
| - | - | (13,974,862) |
| - | - | (521,707) |
|  | 197,786,444 |  | 307,234 |  | 190,960,084 |
| 69,253,043 | (1,794) | 79,778,161 |
|  | 173,753,366 |  | 430,816 |  | 325,848,732 |
| $ | 243,006,409 |  | $ 429,022 |  | $ 405,626,893 |

|  |  |  |
| --- | --- | --- |
| **Mesquite Independent School District** |  | **Exhibit C-2R** |
| Reconciliation of The Governmental Funds |  |  |
| Statement Of Revenues, Expenditures And Changes In |  |  |
| Fund Balance To The Statement Of Activities |  |  |
| For The Year Ended August 31, 2020 |  |  |
| **TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** | $ | 79,778,161 |
| The District uses internal service funds to charge the costs of self-insurance to |  |  |
| appropriate functions in other funds. The change in net position of internal service funds |  |  |
| is reported as governmental activities. |  | (376,290) |
| Current year capital outlays are expenditures in the gov ernmental fund financial statements, but |  |  |
| they are show n as an increase in capital assets in the district-w ide financial statements. |  | 152,783,901 |
| Depreciation is not recognized as an expense in gov ernmental funds since it does not |  |  |
| require the use of current financial resources. |  | (37,613,161) |
| Current year bond proceeds are other financing sources in the gov ernmental fund financial |  |  |
| statements, but are shown as increases in long-term debt in the district-w ide financial statements. |  | (177,870,000) |
| Current year long-term debt principal payments on bonded debt are expenditures in the gov ernmental fund |  |  |
| financial statements, but are shown as reductions in long-term debt in the district-w ide financial statements. |  | 24,405,378 |
| Current year payments to refund debt principal are other uses in the fund financial statements, |  |  |
| but are shown as reductions in long-term debt in the district-w ide financial statements. |  | 13,665,000 |
| Unused leave is accrued in the district-wide financial statements, whereas in the fund financial statements |  |  |
| an expenditure for unused leav e is reported when due. This amount represents the change from prior year. |  | (191,652) |
| Current year change in the accretion on capital appreciation bonds is not reflected in the |  |  |
| gov ernmental fund financial statements, but is shown as a decrease in accreted interest on the |  |  |
| district-wide financial statements. |  | 5,011,985 |
| Interest is accrued on outstanding debt in the district-w ide financial statements, whereas |  |  |
| in the gov ernmental fund financial statements an interest expenditure is reported when due. |  |  |
| This amount represents the current year change in accrued interest. |  | (237,784) |
| Premiums and discounts associated with bonds payable are reported as other sources/uses in the |  |  |
| fund financial statements when bonds are issued. Amounts are reported net of amortization in the |  |  |
| district-wide financial statements. The effect of current amortization of bond premiums was to |  |  |
| increase net position. |  | 9,582,269 |
| Amortization of deferred loss on refunding amount is not recognized in the governmental |  |  |
| funds. The effect of recording current year's addition of $1,556,383 and amortization of $3,549,150 |  |  |
| is to decrease net position. |  | (1,992,767) |
| Current year additions to premium on bonds are reflected in the gov ernmental fund financial |  |  |
| statements as other sources, but are show n as a decrease in net position. |  | (27,521,276) |
| The net book value of capital assets disposed is not recognized as an expense in governmental |  |  |
| funds since it does not require the use of current financial resources. The net effect of the current |  |  |
| disposals less cash proceeds is to decrease net position. |  | (150,252) |
| Rev enue from property taxes is deferred in the governmental fund financial statements until they |  |  |
| are considered available to finance current expenditures, but such revenues are |  |  |
| recognized when assessed net of an allowance for uncollectible accounts in the |  |  |
| district-wide statements. This amount represents the current year change in deferred |  |  |
| property taxes. |  | 3,313 |
| The net change in net pension liability, deferred outflow s, and deferred inflows is reported |  |  |
| in the statement of activities but does not require the use of current financial resources and, |  |  |
| therefore, is not reported as expenditures in the gov ernmental funds. The net change consists |  |  |
| of an increase in deferred outflows ($11,657,317); decrease in deferred inflow s ($14,757,678); |  |  |
| and decrease in net pension liability ($10,786,936). |  | (15,538,059) |
| The net change in net OPEB liability, deferred outflow s, and deferred inflow s is reported |  |  |
| in the statement of activities but does not require the use of current financial resources and, |  |  |
| therefore, is not reported as expenditures in the gov ernmental funds. The net change consists |  |  |
| of a decrease in deferred outflows ($3,577,029); decrease in deferred inflow s ($15,992,483); |  |  |
| and decrease in net OPEB liability ($10,355,052). |  | (2,060,402) |
| **CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** | $ | 21,678,364 |

|  |  |  |
| --- | --- | --- |
| **Mesquite Independent School District** |  | **Exhibit D-1** |
| Statement Of Net Position |  |  |
| Proprietary Funds |  |  |
| August 31, 2020 |  |  |
| **Governmental** | | |
| **Activities** | | |
| **Internal Service** | | |
|  |  | **Funds** |
| **ASSETS** |  |  |
| **CURRENT ASSETS:** |  |  |
| Cash and cash equivalents | $ | 5,452,033 |
| I nv entory |  | 121,594 |
| Due from other funds |  | 80,201 |
| Other current assets |  | 9,758 |
| Total assets |  | 5,663,586 |
| **CURRENT LIABILITIES:** |  |  |
| Accounts payable |  | 65,528 |
| Due to other funds |  | 3,439,977 |
| Accrued expenses |  | 858,834 |
| Total liabilities |  | 4,364,339 |
| **NET POSITION** |  |  |
| Unrestricted |  | 1,299,247 |
| **Total net position** | $ | 1,299,247 |

|  |  |  |
| --- | --- | --- |
| **Mesquite Independent School District** |  | **Exhibit D-2** |
| Statement Of Revenues, Expenses, And Changes In Net Position | | |
| Proprietary Funds |  |  |
| For The Year Ended August 31, 2020 |  |  |
| **Governmental** | | |
| **Activities** | | |
| **Internal Service** | | |
|  |  | **Funds** |
| **OPERATING REVENUES:** |  |  |
| Charges for services | $ | 4,754,953 |
| Total operating revenues |  | 4,754,953 |
| **OPERATING EXPENSES:** |  |  |
| Personal services |  | 1,625,922 |
| Contractual services |  | 75,704 |
| Other supplies and expenses |  | 2,738,223 |
| Insurance claims and expenses |  | 988,658 |
| Other operating costs |  | 16,339 |
| Total operating expenses |  | 5,444,846 |
| Operating loss |  | (689,893) |
| **NONOPERATING REVENUES:** |  |  |
| Earnings from temporary deposits and investments |  | 1,605 |
| Total nonoperating revenue |  | 1,605 |
| **TRANSFERS IN** |  | 311,998 |
| Change in net position |  | (376,290) |
| **Total net position—beginning** |  | 1,675,537 |
| **Total net position—ending** | $ | 1,299,247 |

|  |  |  |
| --- | --- | --- |
| **Mesquite Independent School District** |  | **Exhibit D-3** |
| Statement Of Cash Flows |  |  |
| Proprietary Funds |  |  |
| For The Year Ended August 31, 2020 |  |  |
| **Governmental** | | |
| **Activities** | | |
|  |  | **Internal** |
| **Service Funds** | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** |  |  |
| Cash receiv ed from transactions with other funds | $ | 4,898,545 |
| Payments to suppliers |  | (2,567,386) |
| Payments to employees |  | (1,701,626) |
| Claims paid |  | (988,658) |
| Net cash used in operating activ ities |  | (359,125) |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES** |  |  |
| Transfers in |  | 311,998 |
| Net cash prov ided by non-capital financing activ ities |  | 311,998 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** |  |  |
| I nv estment earnings |  | 1,605 |
| Net cash provided by investing activ ities |  | 1,605 |
| Net decrease in cash and cash equiv alents |  | (45,522) |
| **Balances—beginning of the year** |  | 5,497,555 |
| **Balances—end of the year** | $ | 5,452,033 |
| **Reconciliation of operating loss to net cash** |  |  |
| **used in operating activities:** |  |  |
| Operating loss | $ | (689,893) |
| Effect of increases and decreases in current |  |  |
| assets and liabilities: |  |  |
| Decrease in inv entory |  | 33,267 |
| Increase in interfund receiv ables/payables |  | 143,592 |
| Decrease in accounts payable |  | (785) |
| I ncrease in accrued expenses |  | 154,694 |
| **Net cash used in operating activities** | $ | (359,125) |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Mesquite Independent School District** Statement of Fiduciary Fund Net Position Fiduciary Funds  August 31, 2020 |  |  |  | **Exhibit E-1** |
| **ASSETS**  Cash and cash equiv alents Due from other funds | $ | **Private Purpose Trust Funds**  180,610  - |  | **Agency Fund**  $ 681,274  13,089 |
| Total assets | $ | 180,610 |  | $ 694,363 |
| **LIABILITIES**  Due to student groups |  | - |  | 694,363 |
| Total liabilities | $ | - |  | $ 694,363 |
| **NET POSITION**  Unrestricted net position | $ | 180,610 |  |  |
| **Total net position and liabilities** | $ | 180,610 |  |  |

|  |  |  |
| --- | --- | --- |
| **Mesquite Independent School District**  Statement of Changes in Fiduciary Fund Net Position Fiduciary Funds  For the Year Ended August 31, 2020 |  | **Exhibit E-2** |
| **ADDITIONS**  Local and intermediate sources | $ | **Private Purpose Trust Funds**  38,664 |
| Total additions |  | 38,664 |
| **DEDUCTIONS**  Professional and contracted services Supplies and materials  Other operating costs |  | 990  7,971  6,674 |
| Total deductions |  | 15,635 |
| **Change in net position** |  | 23,029 |
| **Net position September 1 (Beginning)** |  | 157,581 |
| **Net position August 31 (Ending)** | $ | 180,610 |

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### Note 1. Summary of Significant Accounting Policies

Mesquite Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the Board) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB); and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (the Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

##### Reporting Entity

The Board of Trustees (the Board) is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, “The Financial Reporting Entity,” as amended by GASB 39 “Determining Whether Certain Organizations Are Component Units.” There are no component units included within the reporting entity.

##### District-Wide and Fund Financial Statements

The statement of net position and the statement of activities are district-wide financial statements. They report information on all of the District’s non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. The District has no business type activities that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "operating grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational requirements of a given function. Examples include the grants under the Elementary and Secondary Education Act. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

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. Interfund activities between governmental funds and proprietary funds appear as due to/due from on the governmental fund balance sheet and proprietary fund statement of net position and as other sources and other uses on the governmental fund statement of revenues, expenditures, and changes in fund balance.

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 “transfer” line on the district-wide statement of activities, when applicable. Similarly, interfund receivables and payables are netted and presented as a single “internal balances” line of district-wide statement of net position, when applicable.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be attributed specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The district-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and when all eligibility requirements have been met. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period or if all eligibility requirements have not been met, grantors sometimes require the District to refund all or part of the unused amounts.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

##### Fund Accounting

**Governmental Funds:**

The District reports the following major governmental funds:

1. **General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Food Service Special Revenue Fund** – The food service fund is utilized to account for the activities of the school lunch and breakfast programs which are funded by federal grants as well as the summer feeding program which is locally funded.
3. **Debt Service Fund** – The debt service fund is utilized to account for the accumulation of resources and the payment of general long-term debt principal, interest, and related costs arising from general obligation bonds.
4. **Capital Projects Fund** – The capital projects fund is utilized to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived from proceeds of general obligation bonds and interest earned on such monies and local sources designated for such purposes.

Additionally, the District reports the following nonmajor fund types:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State and Local financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

##### Proprietary Funds:

1. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Funds are Employee Health Center and Worker’s Compensation.

##### Fiduciary Funds:

1. **Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District as Private Purpose Trust Funds. The District's Private Purpose Trust Funds are the Meadows- O’Donnell Foundation and the Scholarship Fund.
2. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are the Student Activity Fund and the Payroll Clearing Fund.

##### Cash and Cash Equivalents

For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

##### 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 located in the District 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 they were imposed.

On January 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the District fiscal year.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on 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.

##### Investments

The District’s general policy is to report money market investments and short-term participating interest- earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes.

##### Supplies, Materials and Commodities

Supplies, materials and commodities to be utilized in governmental funds are recorded as expenditures under the consumption method. Under the consumption method, costs are recorded as an expenditure in the period the items are utilized. Inventories are stated at cost utilizing the first-in, first-out method.

##### Capital Assets

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost or similar items purchased in one transaction of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of 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. Major outlays for capital assets and improvements with total project costs of $100,000 or greater are capitalized as they are constructed.

Land improvements, buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets Years

|  |  |
| --- | --- |
| Buildings | 10-40 |
| Building improvements | 10-40 |
| Furniture and equipment | 5-10 |

##### Liability for Compensated Absences

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated vacation since the District does not have a policy to pay any amounts when employees separate from service with the District. Sick leave days are accumulated from year to year; however, only qualified employees are paid for sick leave days not taken upon retirement. Qualified employees are employees that have worked for the District five or more years and have met all other retirement age criteria. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

##### Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

Gains or losses on refunding are deferred and amortized over the lesser of the remaining life of the old debt or the life of the new debt using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expended as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### Net Position and Fund Balance District-Wide Financial Statements

When the District incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because it was not used. Net position on the Statement of Net Position includes the following:

Net investment in capital assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Food Service – The component of net position that reports the difference between assets and liabilities of the Food Service Fund that consists of assets with constraints placed on their use by the

U.S. Department of Agriculture.

Restricted for Debt Service – The component of net position that reports the financial resources restricted to pay debt service on capital related debt less current accrual of interest.

Unrestricted – The component of net position that is not reported in Net investment in capital assets, Restricted for Food Service or Restricted for Debt Service.

##### Governmental Fund Financial Statements

The District has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying governmental fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In accordance with GASB 54, the District classifies governmental fund balances as follows:

Nonspendable – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid items and long term receivables.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes amounts restricted under the child nutrition program, amounts restricted for retirement of long term debt, capital acquisitions and other state grants.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District’s Board of Trustees. This classification includes campus activity funds, and local special revenue funds.

Assigned – includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. Fund balance can be assigned by the District’s Board, the Superintendent, or the Assistant Superintendent of Business Services. This classification includes insurance deductibles, encumbrances, program start-up costs, projected budget deficit for subsequent years and other legal uses.

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. It may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

##### Encumbrance Accounting

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 canceled or appropriately provided for in the subsequent year’s budget. Encumbrances are classified as restricted, committed or assigned in accordance with purpose restrictions. Special revenue fund and capital project fund encumbrances are included in restricted fund balance. General fund encumbrances are included in assigned fund balance.

Encumbrances outstanding at August 31, 2020 that were provided for in the subsequent year’s budget are:

|  |  |  |
| --- | --- | --- |
| General fund | $ | 6,399,055 |
| Non-major special revenue |  | 378,482 |
| Major special revenue |  | 2,677,093 |
| Capital project funds |  | 44,779,315 |

**Total** $ 54,233,945

##### Budgetary Data

Formal budgetary accounting is employed for the General, Food Service, and Debt Service Funds. The budget is prepared and controlled at the fund and function level (See Note 1 in the Notes to Required Supplementary Information). The official school budget is prepared for adoption for required Governmental Funds prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The Board of Trustees formally adopts the budget at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Food Service Special Revenue Fund and Debt Service Fund. The remaining special revenue funds and the Capital Projects Fund adopt project-length budgets, which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The budget was properly amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

##### Data Codes

The Data Control Codes refer to the account code structure prescribed by The Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

##### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of August 31, 2020 will change.

### Note 2. Cash and Investments

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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. At August 31, 2020, the carrying amount of the District's cash deposits held at the depository bank was $8,079,362 and the bank balance was $5,682,719. The District's cash deposits at August 31, 2020 and during the year ended August 31, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

* 1. Depository: Prosperity Bank.
  2. The market value of securities pledged as of the date of the highest combined balance on deposit was $50,434,579.
  3. The highest combined balances of cash, savings, and time deposit accounts amounted to

$30,682,719 and occurred during the month of August 2020.

* 1. Total amount of FDIC coverage at the time of the highest combined balance was limited to

$250,000.

Legal and contractual provisions governing deposits and investments:

The Public Funds Investment Act (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 and the District’s investment policy authorized the District to invest in the following investments

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| as summarized in the table below: | | | | | | |
| Maximum | | | | |  | Maximum |
| Authorized |  | Maximum |  | Percentage |  | Investment |
| I nv estment Type |  | Maturity |  | of Portfolio |  | In One Issuer |
| U.S. treasury obligations |  | 2 Years |  | None |  | None |
| U.S. agencies securities |  | 2 Years |  | None |  | None |
| Certificates of deposits |  | n/a |  | None |  | None |
| Repurchase agreements |  | 90 Days |  | None |  | None |
| Securities lending program |  | 1 Year |  | None |  | None |
| Banker's acceptance |  | 270 Days |  | None |  | None |
| Commercial paper |  | 270 Days |  | None |  | None |
| Money market mutual funds |  | 90 Days |  | None |  | None |
| Mutual funds |  | 2 Years |  | None |  | None |
| Guaranteed inv estment contracts |  | 2 Years |  | None |  | None |
| Investment pools |  | n/a |  | None |  | None |

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 categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities*.*

* Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
* Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
* Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The District participates in investment pools which are not subject to fair value measurement as presented in the table below. The District’s remaining investments are in certificates of deposit and U.S. Government Obligations. The District’s investment balances and weighted average maturity of such investments are as follows:

Fair Value Measurements Using

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Quoted Prices in Active  Markets for  Identical Assets | | | | | | Significant Other Observable  Inputs | | | Significant Unobservable  Inputs | | | Percent of Total | | Weighted Av erage Maturity | |
| Investment Type August 31, 2020 (Lev el 1) | | | | | | (Level 2) | | | (Level 3) | | | Investments | | (Days) | |
| **Investments Measured at** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Amortized Cost:**  Investment Pools: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| TexPool | $ | 98,184,263 |  | $ | - |  | $ | - |  | $ | - |  | 23% |  | 32 days |
| **Investments Measured at** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Net Asset Value (NAV), Fair Value:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Texstar | 32,196,230 | | - - | | | | | |  | | - 7% | | | 39 days | |
| Lonestar | 52,871,669 | | - - | | | | | |  | | - 12% | | | 24 days | |
| Certificates of Deposit | 136,449,322 | | - - | | | | | |  | | - 30% | | | 203 days | |
| **Investments by Fair Value level:**  Commercial Paper | 92,837,046 | | 92,837,046 | | | | | |  | | 21% | | | 58 days | |
| U.S. Gov ernment Treasury Notes | 27,673,749 | | - 27,673,749 | | | | | |  | | - 6% | | | 49 days | |
| Investment Derivative Instrument |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest rate swap | (4,915,131) | |  | - | |  | (4,915,131) | |  | - | |  | | | |
| **Total value** | $ 435,297,148 | |  | $ 92,837,046 | |  | $ 22,758,618 | |  | $ - | |  | | | |

Investment Pools and certificates of deposit are measured at amortized cost or net asset value and are exempt for fair value reporting.

The District is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. TexPool is rated AAAm by Standard & Poor’s rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor’s.

JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. serve as co-administrators for TEXSTAR under an agreement with the TEXSTAR board of directors. JPMorgan Fleming Asset Management (USA), Inc. provides investment services, and First Southwest Asset Management, Inc. provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JPMorgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co. The primary objectives of TEXSTAR are, in order of priority, preservation and protection of principal, maintenance of sufficient liquidity to meet participants’ needs, diversification to avoid unreasonable or avoidable risks, and yield.

The Lone Star Investment Pool is an investment pool available to governmental entities. The pool was established under the guidance of the Texas Public Funds Investment Act. A board of directors made up of members of the pool is responsible for the overall operation of the pool. The Board has employed various third party organizations to assist in the operations. These third parties are as follows: American Beacon Advisors- Investment Managers, CAPTRUST Financial Advisors- Investment Consultant, State Street Bank- Custodian, and First Public- Administration. In combination with these third party organizations, the pool has received an AAA rating from Standard & Poor’s. This rating allows the pool to meet the standards required by the Texas Public Funds Investment Act.

Cash and investments as of August 31, 2020 are classified in the accompanying financial statements as follows:

|  |  |  |
| --- | --- | --- |
| Statement of net position: Cash and cash equiv alents Current investments  Long-term investments Fiduciary funds:  Cash and cash equiv alents | $ | 190,493,801  192,104,146  64,855,969  861,884 |
| **Total cash and investments** | $ | 448,315,800 |

Cash and investments as of August 31, 2020 consist of the following:

|  |  |
| --- | --- |
| Cash on hand | $ 24,159 |
| Deposits with financial institutions | 8,079,362 |
| Investments | 440,212,279 |

**Total cash and investments** $ 448,315,800

##### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The District has no specific limitations with respect to this metric. As of August 31, 2020, the District had the following investments:

Weighted Av erage

I nv estment Type Maturity

|  |  |  |
| --- | --- | --- |
| Certificates of Deposit | $ 136,449,322 | 203 days |
| U.S. Government Treasury Notes | 27,673,749 | 49 days |
| Commercial Paper | 92,837,046 | 58 days |
| Investment Pool -LoneStar | 52,871,669 | 24 days |
| Investment Pool -TexPool | 98,184,263 | 32 days |
| Investment Pool -Texstar | 32,196,230 | 39 days |

**Total** $ 440,212,279

As of August 31, 2020 the District did not invest in any securities which are highly sensitive to interest rate fluctuations.

##### Disclosures Relating To Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the District’s investment policy, or debt agreements, and the actual rating as of August 31, 2020 for each investment type.

Minimum Rating as

Legal of Year

I nvestment Type Rating End

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Certificates of Deposit | $ 136,449,322 | N/A |  | N/A |
| U.S. Government Treasury Notes | 27,673,749 | N/A |  | N/A |
| Commercial Paper | 92,837,046 | N/A |  | N/A |
| Investment Pool -LoneStar | 52,871,669 | AAA/AAAm |  | AAA |
| Investment Pool -TexPool | 98,184,263 | AAA/AAAm |  | AAAm |
| Investment Pool -Texstar | 32,196,230 | AAA/AAAm |  | AAAm |

**Total** $ 440,212,279

##### Concentration of Credit Risk

Concentration of credit risk is the risk associated with holding investments that are not in pools and in excess of 5% of the total portfolio. As of August 31, 2020, the District held 30% of their portfolio in certificates of deposit and 21% in commercial paper. The District controls this risk by laddering the portfolio, limiting the final maturity of each investment between six months and three years through its investment policy with most purchases with maturities less than two years.

##### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the District’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of August 31, 2020, the District deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

### Note 3. Due from/to Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2020, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Furthermore, there are times when overpayment is received from a State Agency and money may be due to other governments.

|  |  |  |  |
| --- | --- | --- | --- |
| **Due from Other** | General Fund |  | Non-Major  Food Service Special Revenue  Fund Funds Total |
| State entitlement (prior years) | $ 88,991 |  | $ - $ - $ 88,991 |
| State grants | - |  | 50,510 2,002,483 2,052,993 |
| Federal grants | 43,682 |  | 265,215 17,354,265 17,663,162 |
|  | $ 132,673 |  | $ 315,725 $ 19,356,748 $ 19,805,146 |
| **Due to Other** |  |  |  |
| State entitlement | $ 4,403,668 |  | $ - $ - $ 4,403,668 |

### Note 4. Other Receivables

Other receivables as of August 31, 2020, for the District’s individual major funds and non-major governmental funds in the aggregate are as follows:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | General Fund |  | Debt Service  Fund |  | Non-Major Gov ernmental  Funds |  | Total |
| Taxes receiv able | $ 133,953 |  | $ 59,242 |  | $ - |  | $ 193,195 |
| City of Mesquite - MEHC | 25,196 |  | - |  | - |  | 25,196 |
| City of Mesquite- Crossing Guards | 193,080 |  | - |  | - |  | 193,080 |
| CDW Chromebooks | 89,644 |  | - |  | - |  | 89,644 |
| Brainpop | 26,570 |  | - |  | - |  | 26,570 |
| Masters Reimbursement | 19,503 |  | - |  | - |  | 19,503 |
| Miscellaneous/Due from other | 68,185 |  | - |  | 663 |  | 68,848 |
|  | $ 556,131 |  | $ 59,242 |  | $ 663 |  | $ 616,036 |

### Note 5. Interfund Receivables, Payables and Transfers

Interfund balances at August 31, 2020 consisted of the following individual fund receivables and payables:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Due to Fund |  | Due from Fund |  | Amount |
| Agency Fund |  | General Fund |  | $ 13,089 |
| Capital Projects |  | General Fund |  | 915,572 |
| Debt Serv ice |  | General Fund |  | 1,497,526 |
| Internal Service - Worker's Compensation |  | Internal Service - Health |  | 80,201 |
| General Fund |  | Internal Serv ice - Worker's Compensation |  | 3,327,585 |
| General Fund |  | Internal Service - Health |  | 32,191 |
| Non-major Special Revenue (Local) |  | General Fund |  | 218,268 |
| General Fund |  | Major Special Revenue-Food Serv ice |  | 374,812 |
| General Fund |  | Non-major Special Revenue (Federal) |  | 17,098,764 |
| General Fund |  | Non-major Special Revenue (State) |  | 1,760,169 |
|  |  |  |  | $ 25,318,177 |

All amounts due are scheduled to be repaid within one year. Interfund transfers for the year ended August 31, 2020 were as follows:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Transfer From |  | Transfer To | Amount | | |  | Reason |
| General |  | Food Service |  | $ | 32,058 |  | Food Service Transfer |
| General | Internal Service |  | 311,998 | I nternal Service Transfer |
| Food Service | General |  | 391,200 | Food Service Transfer |
| General | Non-Major Gov ernmental |  | 307,234 | RDSD Member District Share Transfer |
| General | Capital Projects |  | 6,000,000 | Capital Projects Transfer |

$ 7,042,490

### Note 6. Capital Asset Activity

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

Governmental Activities: Primary Government

Beginning

Balance Additions Retirements Transfers

Ending Balance

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Non-depreciable assets Land | $ | 20,203,589 |  | $ | 202,122 |  | $ | - |  | $ | - |  | $ | 20,405,711 |
| Construction in progress | 100,921,193 | |  | 135,890,663 | |  | - | |  | (57,249,180) | |  | 179,562,676 | |
| Total non-depreciable assets | 121,124,782 | |  | 136,092,785 | |  | - | |  | (57,249,180) | |  | 199,968,387 | |
| Depreciable assets |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Buildings and improv ements | 888,029,534 | |  | - | |  | (290,059) | |  | 57,249,180 | | | | 944,988,655 |
| Furniture and equipment | 179,472,567 | |  | 16,691,116 | |  | (5,292,828) | |  | - | | | | 190,870,855 |
| Total depreciable assets | 1,067,502,101 | |  | 16,691,116 | |  | (5,582,887) | |  | 57,249,180 | | | | 1,135,859,510 |
| Less accumulated depreciation for: Buildings and improv ements | 300,519,912 | |  | 23,109,257 | |  | (140,994) | |  | - | | | | 323,488,175 |
| Furniture and equipment | 112,435,902 | |  | 14,503,904 | |  | (5,291,641) | |  | - | | | | 121,648,165 |
| Total accumulated depreciation | 412,955,814 | |  | 37,613,161 | |  | (5,432,635) | |  | - | | | | 445,136,340 |
| **Total capital assets, net** | $ 775,671,069 | |  | $ 115,170,740 | |  | $ (150,252) | |  | $ - $ | | | | 890,691,557 |

Depreciation expense was charged to governmental functions as follows:

Gov ernmental Function Depreciation

|  |  |
| --- | --- |
| I nstruction | $ 24,888,744 |
| Instructional resources and media services | 579,909 |
| Curriculum development and instructional staff development | 411,239 |
| Instructional leadership | 840,823 |
| School leadership | 2,289,483 |
| Guidance, counseling and ev aluation services | 1,945,177 |
| Social work services | 81,238 |
| Health serv ices | 455,846 |
| Student (pupil) transportation | 531,033 |
| Food services | 1,117,497 |
| Cocurricular/extracurricular activ ities | 499,412 |
| General administration | 746,636 |
| Plant maintenance and operations | 2,033,091 |
| Security and monitoring service | 213,102 |
| Data processing services | 702,580 |
| Community serv ices | 238,743 |
| Construction | 38,608 |

**Total depreciation expense** $ 37,613,161

### Note 7. Unearned/Unavailable Revenue

Unearned/unavailable revenue reported in the governmental funds at year end consisted of the following:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| General Fund | | | Food  Service Fund | | | Debt  Service Fund | | | Non-Major  Governmental Funds | | Total | | |
| Cheerleader receipts | $ | 123,272 | $ | | - | $ | |  | - $ | - | $ | | 123,272 |
| Athletic ticket sales | 177 | |  | - | |  | - - | | | |  | 177 | |
| State grant aw ards | - | |  | - | |  | - 74 | | | |  | 74 | |
| Prepaid PAMS | - | |  | 214,478 | |  | - - | | | |  | 214,478 | |
| Total unearned | $ 123,449 | |  | $ 214,478 | |  | $ - $ 74 | | | |  | $ 338,001 | |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Tax revenue | $ 4,035,458 |  | $ - $ 1,643,895 |  | $ - $ 5,679,353 |
| Total unav ailable | $ 4,035,458 |  | $ - $ 1,643,895 |  | $ - $ 5,679,353 |

Tax revenue reported as unavailable revenue in the governmental funds is recorded as revenue in the district-wide financial statements. Accordingly, unavailable tax revenue is excluded in the district-wide financial statements.

### Note 8. Long-Term Debt

##### Unlimited Tax Bonds

The District issues unlimited tax bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. Unlimited tax bonds are direct obligations and pledge the full faith and credit of the District. Bonded indebtedness of the District is reflected in the government- wide financial statements. Current requirements for principal and interest expenditures are payable solely from future revenues of the Debt Service Fund which consists principally of property taxes collected by the District and interest earnings.

The District has several issues containing zero coupon bonds. Accordingly, the accretion of interest on these zero coupon bonds has been recorded in the district-wide financial statements. Accreted interest decreased on these bonds during the current year in the net amount of $5,011,985. Unlimited tax bonds outstanding as of August 31, 2020 are as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | Amount |  | Amounts |
| Purpose and |  | Interest |  | Final |  | of Original |  | Outstanding |
| Lawful Authority |  | Rate |  | Maturity |  | I ssue |  | 08/31/20 |
| Unlimited Tax School Building |  |  |  |  |  |  |  |  |
| Bonds, Series 2003A |  | 4.46% |  | 2029 |  | $ 30,000,000 |  | $ 23,800,000 |
| Unlimited Tax Refunding |  | 2.00 to |  |  |  |  |  |  |
| Bonds, Series 2012 |  | 5.00% |  | 2031 |  | 36,409,259 |  | 24,854,259 |
| Unlimited Tax Refunding |  | 3.00 to |  |  |  |  |  |  |
| Bonds, Series 2013 |  | 3.50% |  | 2026 |  | 8,760,000 |  | 8,610,000 |
| Unlimited Tax School Building |  | 2.5 to |  |  |  |  |  |  |
| Bonds, Series 2014-A |  | 5.00% |  | 2025 |  | 24,045,000 |  | 17,345,000 |
| Unlimited Tax Refunding |  | 2.00 to |  |  |  |  |  |  |
| Bonds, Series 2014-B |  | 5.00% |  | 2030 |  | 54,200,000 |  | 9,920,000 |
| Unlimited Tax School Building |  | 2.00 to |  |  |  |  |  |  |
| Bonds, Series 2015-A |  | 4.00% |  | 2026 |  | 27,020,000 |  | 22,050,000 |
| Unlimited Tax Refunding |  | 2.00 to |  |  |  |  |  |  |
| Bonds, Series 2015-B |  | 4.00% |  | 2031 |  | 21,309,996 |  | 16,640,000 |
| Unlimited Tax Refunding |  | 2.00 to |  |  |  |  |  |  |
| Bonds, Series 2015-C |  | 5.00% |  | 2032 |  | 27,496,135 |  | 26,437,898 |
| Unlimited Tax Refunding |  | 4.00 to |  |  |  |  |  |  |
| Bonds, Series 2015-D |  | 5.00% |  | 2031 |  | 27,068,535 |  | 18,885,000 |
| Unlimited Tax School Building |  | 3.00 to |  |  |  |  |  |  |
| Bonds, Series 2015-E |  | 5.00% |  | 2038 |  | 71,870,000 |  | 68,460,000 |
| Unlimited Tax Refunding |  | 2.00 to |  |  |  |  |  |  |
| Bonds, Series 2016-A |  | 5.00% |  | 2033 |  | 16,890,000 |  | 15,965,000 |
| Unlimited Tax Refunding |  | 4.00 to |  |  |  |  |  |  |
| Bonds, Series 2016-B |  | 5.00% |  | 2035 |  | 22,270,000 |  | 22,270,000 |
| Unlimited Tax School Building |  | 2.00 to |  |  |  |  |  |  |
| Bonds, Series 2016-C |  | 5.00% |  | 2042 |  | 91,375,000 |  | 90,470,000 |
| Unlimited Tax Refunding |  | 3.00 to |  |  |  |  |  |  |
| Bonds, Series 2017-A |  | 5.00% |  | 2032 |  | 12,803,008 |  | 12,017,232 |
| Unlimited Tax School Building |  | 3.00 to |  |  |  |  |  |  |
| Bonds, Series 2017-B |  | 5.00% |  | 2042 |  | 88,350,000 |  | 80,635,000 |

Unlimited Tax School Building

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Bonds, Series 2018 | 5.00% | 2048 | 118,645,000 | 112,040,000 |
| Unlimited Tax School Building Bonds, Series 2019 | 3.00 to 5.00% | 2044 | 84,740,000 | 84,740,000 |
| Unlimited Tax School Building Bonds, Series 2020 | 3.00 to 5.00% | 2045 | 81,190,000 | 81,190,000 |
| Unlimited Tax Refunding Bonds, Series 2020-B | 4.00% | 2025 | 6,260,000 | 6,260,000 |
| Unlimited Tax Refunding Bonds, Series 2020-C | 4.00% | 2032 | 5,680,000 | 5,680,000 |
| **Total bonded debt principal payable** | | | | $ 748,269,389 |

##### Interest Rate Swap

As a means to lower its borrowing costs when compared against fixed-rate bonds at the time of issuance in August 2003, the District entered into an interest rate swap in connection with its $30 million Series 2003-A variable-rate school building unlimited tax bonds. The intention of the swap was to effectively change the District’s variable interest rate on the bonds to a synthetic fixed rate of 4.458%.

The bonds and the related swap agreement mature on August 1, 2029, and the swap’s notional amount of $23,800,000 and matches the 2003A variable-rate bond balance at August 31, 2020. The swap was entered at the same time the bonds were issued (August 2003).

Under the swap, the District pays the counterparty a fixed payment of 4.458% and receives a variable payment based on The Bond Market Association Municipal Swap Index (BMA), which was .09% at August 31, 2020.

Because interest rates have declined since execution of the swap, the swap had a negative fair value of $4,915,131 as of August 31, 2020. The swap’s negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the coupons on the District’s variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

As of August 31, 2020, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the derivative’s fair value. The swap counterparty was Aa3 and A+ by Moody’s Investors Service (Moody’s) and Standard & Poor’s (S&P), respectively. as of August 31, 2020. To mitigate the potential for credit risk, if the counterparty’s credit quality falls below BBB/Baa3, the fair value of the swap will be fully collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

The District shall have the right to optionally terminate the swap agreement at any time over the term of the agreement at the then prevailing market value of the swap. The counterparty shall not have the elective right to terminate the swap agreement as no termination option was priced into the terms of the swap at inception. As rates vary, variable-rate bond interest payments and net swap payments will vary.

The District implemented GASB 53, Accounting and Financial Reporting for Derivative Instruments. This standard established a comprehensive framework for measurement, recognition, and disclosure of derivatives. Under this guidance, derivative instruments associated with hedgeable items that are determined to be effective in reducing exposures to identified financial risks are considered hedging derivative instruments. Effectiveness is determined by considering whether changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item. In these instances, hedge accounting should be applied.

Under hedge accounting, the changes in fair values of the hedging derivative instrument are reported as either deferred inflows or deferred outflows in the District’s statement of net position. The following table summarizes the fair value balances and notional amounts of the District’s derivative instruments:

Changes in Fair Value Fair Value at August 31, 2020

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Classification Amount | | | | |  | Classification |  | Amount |  | Notional |
| Gov ernmental activ ities |  |  |  |  |  |  |  |  |  |  |
| 2003-A Sw ap  (Cash flow hedge) | Deferred outflow |  | $ | 263,771 |  | Debt |  | $ (4,915,131) |  | $ 23,800,000 |

The consistent critical terms method was utilized to determine the effectiveness of this instrument.

##### Debt Service Requirements

Debt service requirements to maturity are as follows

Year Ending General Obligation Total

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| August 31 Principal Interest Requirements    2021 $ 23,281,113 $ 38,706,237 $ 61,987,350 | | | | |
| 2022 | 19,153,707 |  | 37,409,037 | 56,562,744 |
| 2023 | 19,724,980 |  | 36,608,168 | 56,333,148 |
| 2024 | 25,765,329 |  | 30,809,193 | 56,574,522 |
| 2025 | 26,930,000 |  | 28,882,946 | 55,812,946 |
| 2026-2030 | 140,459,084 |  | 130,273,338 | 270,732,422 |
| 2031-2035 | 161,375,176 |  | 96,173,331 | 257,548,507 |
| 2036-2040 | 180,545,000 |  | 58,284,369 | 238,829,369 |
| 2041-2045 | 126,375,000 |  | 20,203,700 | 146,578,700 |
| 2046-2048 | 24,660,000 |  | 2,506,250 | 27,166,250 |
|  | $ 748,269,389 |  | $ 479,856,569 $ | 1,228,125,958 |

There are a number of limitations and restrictions contained in the unlimited tax school building and refunding bond indenture. The District is in compliance with all significant limitations and restrictions at August 31, 2020.

##### Current Debt Issuances

In prior years, the District defeased certain unlimited tax school building bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. As of August 31, 2020, there are no bonds considered defeased that are still outstanding.

During the year ended August 31, 2020, the District issued $84,740,000 of Series 2019 Unlimited Tax School Building Bonds plus a premium of $10,982,624 and $81,190,000 of Series 2020A Unlimited Tax School Building Bonds plus a premium of $14,536,847. The District also issued $6,260,000 of 2020B Unlimited Tax Refunding Bonds plus a premium of $677,324 and a transfer of prior issue debt service funds of $143,569 and $5,680,000 of 2020C Unlimited Tax Refunding Bonds plus a premium of $1,324,481 and a transfer of prior issue debt service funds of $115,880. Of these amounts, $13,974,862 was used to purchase U.S. Government Securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt payments of the refunded bonds which were redeemed on August 15, 2020. The reacquisition price exceeded the carrying amount of the refunded debt by $2,043,099. This amount is being amortized over the remaining life of the debt and is classified as a deferred outflow of resources. The refundings were undertaken to reduce total debt service payments through the year 2032 by

$2,577,748 and resulted in a gross economic gain of $2,274,657. Changes in Long-Term Liabilities:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Beginning  Balance | | Additions | Refundings/  Reductions | | Ending  Balance | Due Within  One Year |
| Government activities |  | |  |  | |  |  |
| Bonded debt payable | $ 608,469,767 $ | | 177,870,000 | $ (38,070,378) $ | | 748,269,389 | $ 23,281,113 |
|  | 608,469,767 | | 177,870,000 | (38,070,378) | | 748,269,389 | 23,281,113 |
| Net pension liability | 133,666,300 | 17,233,489 | | (28,020,425) | 122,879,364 | | - |
| Net OPEB liability | 153,196,337 | 15,213,511 | | (25,568,563) | 142,841,285 | | - |
| Accreted interest | 24,170,545 | - | | (5,011,985) | 19,158,560 | | 5,608,362 |
| Premium on bonds | 97,926,770 | 27,521,276 | | (9,582,269) | 115,865,777 | | - |
| Compensated absences | 1,141,568 | 191,652 | | - | 1,333,220 | | 377,152 |
| **Long-term liabilities** | $ 1,018,571,287 | $ 238,029,928 | | $ (106,253,620) | $ 1,150,347,595 | | $ 29,266,627 |

Compensated absences are liquidated in the General Fund and all bonded debt liabilities are liquidated in the Debt Service Fund. Pension and OPEB liabilities are liquidated in the General Fund as required contributions are made.

### Note 9. General Fund Federal Source Revenues

During the current year, General Fund federal source revenues consisted of the following:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Program or Source |  | CFDA  Number |  | Amount |  | Total Grant or  Entitlement |
| Selective reserve educational assistance |  | N/A |  | $ 534,711 |  | $ 534,711 |
| School health and related serv ices |  | N/A |  | 3,439,995 |  | 3,439,995 |
|  |  |  |  | $ 3,974,706 |  | $ 3,974,706 |

### Note 10. Revenue from Local and Intermediate Sources

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| General Fund | | Food Service  Fund | Debt Service  Fund | Capital Projects  Fund | Non-Major Gov ernmental | Total |
| Taxes, current | $ 86,253,188 | $ - $ 42,681,897 | | $ - $ - $ 128,935,085 | | |
| Taxes, prior years | 1,138,598 | - 485,163 | | - | - 1,623,761 | |
| Penalties and interest | 990,456 | - 460,346 | | - | - 1,450,802 | |
| Inv estment earnings | 3,199,963 | 115,455 | 783,387 | 3,308,699 | - | 7,407,504 |
| Insurance recovery | 161,719 | - | - | - | - | 161,719 |
| Tuition from patrons | 636,649 | - | - | - | - | 636,649 |
| Athletic activities | 701,002 | - | - | - | - | 701,002 |
| Rent | 257,555 | - | - | - | - | 257,555 |
| Food serv ice activ ities | 71,853 | 2,126,072 | - | - | - | 2,197,925 |
| Gifts and bequests | 276,574 | 60,000 | - | - | 202,746 | 539,320 |
| Extra/cocurricular | 2,146,040 | - | - | - | 5,010 | 2,151,050 |
| Other | 1,108,196 | 53,689 | - | - | 758,424 | 1,920,309 |
|  | $ 96,941,793 | $ 2,355,216 | $ 44,410,793 | $ 3,308,699 | $ 966,180 | $ 147,982,681 |

### Note 11. Defined Benefit Pension Plan

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

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

##### Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System’s fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at<https://www.trs.texas.gov/TRS%20Documents/cafr_2019.pdf>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

##### Benefits Provided

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

##### Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period

|  |  |  |  |
| --- | --- | --- | --- |
| would be increased by such action. | | | |
| Rates for such plan fiscal years are as follows: | | | |
| Member  Non-Employer Contributing Entity (State) Employers  Employers (District - Non-OASDI )\* | 2020  7.7%  7.5%  7.5%  1.5% | Contribution Rates | 2019  7.7%  6.8%  6.8%  1.5% |

\*SB12 requires an increase in employer contributions by public school districts, charter schools and regional education service centers. Prior to SB12, only those employers not participating in social security were required to pay a 1.5% contributions (Non-OASDI surcharge). Beginning September 1, 2019 all employers are required to pay the Public Education Employer contribution irrespectiv e of participation in social security.

The contribution amounts for the District’s fiscal year 2020 are as follows.

|  |  |
| --- | --- |
| 2020 Employer Contributions | $ 8,273,696 |
| 2020 Member Contributions | $ 20,653,783 |
| 2020 NECE On-behalf Contributions | $ 11,634,809 |

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

* On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
* During a new member’s first 90 days of employment.
* When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
* When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

* When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
* When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees, and 100% of the state contribution rate for all other employees.

##### F. Actuarial Assumptions

The actuarial valuation of the total pension liability was performed as of August 31, 2018. Update procedures were used to roll forward the total pension liability to August 31, 2019 and was determined using the following actuarial methods and assumptions:

|  |  |
| --- | --- |
| Actuarial cost method | Indiv idual entry age normal |
| Asset valuation method | Market value |
| Single discount rate | 7.25% |
| Long-term expected rate of |  |
| return | 7.25% |
| Municipal bond rate as of | 2.63%. Source for the rate is the Fixed Income Market |
| August 2019 | Data / Yield Curv e / 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." |
| Last year ending August 31 in |  |
| projection period (100 years) | 2116 |
| I nflation | 2.30% |
| Salary increases | 3.05% to 9.05% including inflation |
| Ad hoc post-employment |  |
| benefit changes | None |

Active mortality rates Based on 90 percent of the RP 2014 Employee Mortality

Tables for males and females w ith full generational mortality. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale U-MP.

The actuarial methods and assumptions are based primarily on a study of actual experience for three year period ending August 31, 2018 and adopted in July 2019.

##### Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity will be made at the statutorily required rates. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected 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 expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TRS’s target asset allocation as of August 31, 2019 are summarized below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  | Long-Term |
|  |  |  |  | Expected |
|  |  | Target |  | Arithmetic Real |
| Asset Class |  | Allocation |  | Rate of Return |
| Global equity: |  |  |  |  |
| U.S. |  | 18.00% |  | 5.70% |
| Non-U.S. dev eloped |  | 13.00% |  | 6.90% |
| Emerging markets |  | 9.00% |  | 8.95% |
| Directional hedge funds |  | 4.00% |  | 3.53% |
| Priv ate equity |  | 13.00% |  | 10.18% |
| Stable value: |  |  |  |  |
| U.S. treasuries |  | 11.00% |  | 1.11% |
| Stable value hedge funds |  | 4.00% |  | 3.09% |
| Real return: |  |  |  |  |
| Global inflation linked bonds |  | 3.00% |  | 0.70% |
| Real estate |  | 14.00% |  | 5.21% |
| Energy and natural resources |  |  |  |  |
| and infrastructure |  | 5.00% |  | 7.48% |
| Risk parity: |  |  |  |  |
| Risk parity |  | 5.00% |  | 3.70% |
| Asset allocation lev erage cash |  | 1.00% |  | -0.30% |

**Totals** 100.0%

\*FY 2019 target allocation based on the strategic asset allocation dated 10/1/2018

##### Discount Rate Sensitivity Analysis

The following table presents the District’s proportionate share of the TRS net pension liability calculated using the discount rate of 7.25%, as well as what the District’s proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate.

|  |  |  |  |
| --- | --- | --- | --- |
|  | 1% Decrease in  Discount Rate (6.25%) | Discount Rate (7.25%) | 1% Increase in  Discount Rate (8.25%) |
| District’s proportionate share of the net pension  liability: | $188,883,433 | $122,879,364 | $69,403,328 |

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

At August 31, 2020, the District reported a liability of $122,879,364 for its proportionate share of the TRS’s net pension liability. This liability reflects a reduction for State pension support provided to the District.

The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District’s proportionate share of the collectiv e net pension liability $ 122,879,364 State’s proportionate share that is associated with District 172,805,279

**Total** $ 295,684,643

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

At August 31, 2019 the employer’s proportion of the collective net pension liability was .02363832% which was an increase of .00064591% from its proportion measured as of August 31, 2018.

For the fiscal year ended August 31, 2020, the District recognized pension expense of $42,683,334 and revenue of $27,145,275 for support provided by the State.

##### Changes Since the Prior Actuarial Valuation

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

* The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
* With the enactment of SB3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a $2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

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

At August 31, 2020, the District reported deferred outflows of resources for contributions made after the measurement date and its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred

|  |  |  |  |
| --- | --- | --- | --- |
|  | Outflows of  Resources |  | Deferred Inflows  of Resources |
| Differences between expected and actual economic |  |  |  |
| experience | $ 516,203 |  | $ (4,266,566) |
| Changes in actuarial assumptions | 38,123,213 |  | (15,754,315) |
| Difference between projected and actual investment |  |  |  |
| earnings | 1,233,851 | - | |
| Changes in proportion and difference between the |  |  | |
| employer’s contributions and the proportionate share of |  |  | |
| contributions | 8,480,710 | (2,062,518) | |

Contributions paid to TRS subsequent to the

measurement date 10,017,731 -

**Total** $ 58,371,708 $ (22,083,399)

$10,017,731 reported as deferred outflows of resources resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2021. Other amounts reported as deferred outflows and inflows of resources

|  |  |  |
| --- | --- | --- |
| related to pensions will be recognized in pension expense as follows: | | |
| Pension | | |
| Year ended August 31: 2021  2022  2023  2024  2025  Thereafter | $ | Expense  6,771,557  5,364,480  6,908,300  6,532,005  1,965,241  (1,271,005) |
| Total | $ | 26,270,578 |

### Note 12. Defined Other Post-Employment Benefit Plan

##### Plan Description

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

##### OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at<http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

##### Benefits Provided

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees of TRS 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 premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Plan Premium Rates

Effective January 1, 2019 - December 31, 2020

Medicare Non-Medicare

Retiree\* $ 135 $ 200

|  |  |  |
| --- | --- | --- |
| Retiree and spouse | 529 | 689 |
| Retiree\* and children | 468 | 408 |
| Retiree and family | 1,020 | 999 |

\* or surviving spouse

##### Contributions

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25 percent of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .75 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than .25 percent or not more than .75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

2020 2019

|  |  |  |
| --- | --- | --- |
| Active employee | 0.65% | 0.65% |
| Non-employer contribution entity (state) | 1.25% | 1.25% |
| Employers/District | 0.75% | 0.75% |
| Federal/priv ate funding remitted by employers | 1.25% | 1.25% |

The contribution amounts for the District’s fiscal year 2020 are as follows:

|  |  |
| --- | --- |
| District contributions | $ 2,257,791 |
| Member contributions | 1,658,053 |
| NECE on-behalf contributions (state) | 3,421,469 |

In addition, the State of Texas contributed $1,282,092 and $969,587 in 2020 and 2019, respectively, for on-behalf payments for Medicare Part D.

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to *(regardless of whether or not they participate in the TRS Care OPEB program*). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of $535 per retiree.

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

##### Actuarial Assumptions

The actuarial valuation of the total OPEB liability was performed as of August 31, 2018. Update procedures were used to roll forward the total OPEB liability to August 31, 2019.

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 following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2019 TRS annual pension actuarial valuation:

Demographic Assumptions Economic Assumptions Rates of mortality General inflation

Rates of retirement Wage inflation

Rates of termination Salary increases Rates of disability

See Note 11 for detail on these assumptions. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The initial medical trend rates were 10.25% for Medicare retirees and 7.50% for non-Medicare retirees. There was an initial prescription drug trend rate of 10.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.50 % over a period of 13 years.

The following methods and additional assumptions were used in the TRS-Care OPEB valuation:

Actuarial cost method Indiv idual entry age normal

Single discount rate 2.63%

Aging factors Based on plan specific experience

Normal retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to

Election rates discontinue coverage at age 65.

Third-party administrativ e expenses related to the delivery of health care benefits are included in the age-adjusted

Expenses claims costs.

Ad hoc post-employment

benefit changes None

The impact of the Cadillac Tax that is returning in fiscal year 2023 has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

* 2018 thresholds of $850/$2,292 were indexed annually by 2.30%.
* Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
* There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

##### Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability at August 31, 2019. This was a decrease of 1.06% in the discount rate since the August 31, 2018 measurement date. The plan is essentially a “pay-as-you-go” plan, and based on the assumption that contributions are made at the statutorily required rates, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments to current members and therefore, the single discount rate is equal to the prevailing municipal bond rate. 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”.

##### Sensitivity of the Net OPEB Liability

*Discount Rate*

The following table presents the District’s proportionate share of the TRS-Care net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the net OPEB liability.

Sensitiv ity of the Net OPEB Liability

to the Single Discount Rate Assumptions

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1% Decrease |  | Current Single  Discount Rate |  | 1% Increase |
| (1.63%) |  | (2.63%) |  | (3.63%) |
| $ 172,455,266 |  | $ 142,841,285 |  | $ 119,674,242 |

*Healthcare Cost Trend Rates*

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

Sensitiv ity of the Net OPEB Liability to

the Healthcare Cost Trend Rate Assumptions

Current Healthcare Cost

1% Decrease Trend Rate 1% Increase

$ 116,524,910 $ 142,841,285 $ 178,093,145

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

At August 31, 2020, the District reported a liability of $142,841,285 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 net OPEB liability  State's proportionate share of the net OPEB liability associated with the District | $ | 142,841,285  189,804,118 |
| **Total** | $ | 332,645,403 |

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

At August 31, 2019 the employer’s proportion of the collective net OPEB liability was .3020461% which was .0047705 increase from August 31, 2018.

**Changes Since the Prior Actuarial Valuation** – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

* + The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the total OPEB liability.
  + The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the total OPEB liability.
  + The trend rates were reset to better reflect the plan’s anticipated experience. This change increased the total OPEB liability.
  + The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the total OPEB liability.

For the District’s year ended August 31, 2020, the District recognized OPEB expense of $7,062,859 and revenue of $5,002,457 for support provided by the State.

At August 31, 2020, the District reported the District’s contribution after the measurement date and 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 Deferred

Outflows of Inflows of

Resources Resources

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Differences betw een expected and actual economic experience | $ | 7,007,579 |  | $ | (23,374,462) |
| Changes of assumptions |  | 7,933,720 |  |  | (38,420,800) |
| Net difference betw een projected and actual earnings on |  |  |  |  |  |
| pension plan inv estments |  | 15,411 |  |  | - |
| Changes in proportion and differences betw een District contributions |  |  |  |  |  |
| and proportionate share of contributions (cost-sharing plan) |  | 5,377,920 |  |  | (2,641,593) |
| District contributions after measurement date |  | 2,257,791 |  |  | - |

**Totals** $ 22,592,421 $ (64,436,855)

$2.257.791 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended August 31, 2021. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to OPEB will be recognized in OPEB expense as follows:

Year Ending

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Aug 31, |  |  |  |
|  | 2021 |  | $ | (7,446,113) |
| 2022 |  | (7,446,113) |
| 2023 |  | (7,451,101) |
| 2024 |  | (7,453,954) |
| 2025 |  | (7,453,173) |
| Thereafter |  | (6,851,771) |
|  | **Total** |  | $ | (44,102,225) |
| **Note 13.** | **Risk Management** |  |  |  |

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

##### Health Care Coverage

The District employees are eligible to purchase health insurance through TRS-Active Care which is the statewide health plan for public education employees established by the 77th Texas Legislature and is a fully insured plan.

During the year ended August 31, 2020, the District funded benefit credits of $297 per month per participating employee to the health insurance internal service fund.

The District contribution, along with the employee contribution made through payroll deduction, was used to pay the premiums for the insurance plans chosen by the employee.

##### Workers’ Compensation Coverage

Beginning September 1, 1993, the District established a self-insurance plan for workers’ compensation benefits. Prior to this time, the District was a member of the Texas Association of School Boards Workers’ Compensation Self-Insurance Fund (the Fund). The Fund will continue to be liable for all claims before September 1, 1993.

Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. According to state statute, the District is protected against unanticipated catastrophic claims and aggregate loss by coverage carried through Midwest Employers Casualty, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code.

Coverage was in effect for specific occurrences exceeding $500,000.

The costs associated with these self-insurance plans are reported as interfund transactions to the extent of amounts actuarially determined. Accordingly, they are treated as operating revenues of the Internal Service Funds and operating expenditures of the General Fund and the Special Revenue Funds. The liabilities of the workers’ compensation self-insurance plan totaled $858,834 and includes incurred but not reported claims. These liabilities reported in the funds at August 31, 2020 are based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

These liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Workers’ compensation liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time were computed by an actuary and are reported at their present value using expected future investment yield assumption of 3%.

Changes in the medical and workers’ compensation claims liability amounts in fiscal 2020 and 2019

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| were: |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  | Beginning  of Fiscal |  | Claims  and |  | Less: | Balance | | |
| Self-I nsurance | | Liability |  | Year  Liability |  | Changes  in Estimates |  | Claim  Payments | at Fiscal  Year-End | | |
| 2019 - workers' 2020 - workers' | compensation compensation | | $ 689,694 1,198,568  $ 704,138 948,058 | | | |  | 1,184,124  793,362 |  | $  $ | 704,138  858,834 |

### Note 14. Commitments and Contingencies

##### Litigation

The District is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a materially adverse effect on the accompanying basic financial statements and accordingly, no provision for losses has been recorded.

##### Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at August 31, 2020 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

##### Future Construction

The funds in the Capital Projects Fund will be used for future school construction and renovation. Commitments on outstanding construction contracts for future school construction and renovations totaled $183,410,936 at August 31, 2020.

### Note 15. Shared Service Agreements

##### A. Deaf Education

The District is the fiscal agent for the Deaf Education program with the following member districts: Garland Independent School District, Forney Independent School District, Kaufman Independent School District, Red Oak Independent School District, Rockwall Independent School District, Royse City Independent School District, Sunnyvale Independent School District, Terrell Independent School District, and Wills Point Independent School District. The District acts as the fiscal agent and provides services for the member districts. The District’s expenditures for the year ended August 31, 2020, totaled $2,320,219. The District is reimbursed by the other member districts for their portion of the expenditures.

### Note 16. New Accounting Pronouncements

**GASB Statement No. 95: Postponement of the Effective Dates of Certain Authoritative Guidance. Statement 95** was issued in May 2020 and was passed to provide temporary relief to governments in light of the COVID-19 pandemic. The effect of this statement delayed the effective dates of the statements below.

**GASB Statement No. 84: Fiduciary Activities. Statement 84** was issued in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. This standard is effective for the District in fiscal year 2021. The District has not yet determined the impact of this statement.

**GASB Statement No. 87: Leases. Statement 87** was issued in June 2017. This Statement establishes standards of accounting and financial reporting for lease by lessees and lessors. This standard is effective for the District in fiscal year 2022. The District has not yet determined the impact of this statement.

##### GASB Statement No. 89: Accounting for Interest Cost Incurred before the End of a Construction

**Period. Statement 89** was issued in June 2018. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Standard becomes effective for the District in fiscal year 2022. The District has not yet determined the impact of this statement.

##### GASB Statement No. 90: Majority Equity Interests – an Amendment of GASB Statements No. 14 and No.

1. **Statement 90** was issued in August 2018. This Statement modifies previous guidance for reporting a government’s majority equity interest in a legally separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. This Standard becomes effective for the District in fiscal year 2021. The District has not yet determined the impact of this statement.

**GASB Statement No. 91: Conduit Debt Obligations. Statement 91** was issued in May 2019. This Statement establishes a single method of reporting conduit debt obligations by issuers to eliminate diversity in practice. This Standard becomes effective for the District in fiscal year 2021. The District has not yet determined the impact of this statement.

### Note 17. Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 8, 2021, the date the financial statements were available to be issued.

##### COVID-19 Pandemic

In March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected public education, workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the District’s operations and financial results at this time.

# Required Supplementary Information

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Mesquite Independent School District** | |  |  |  |  |  |  | **Exhibit G-1** | | |
| Budgetary Comparison Schedule | | | | | | | | | | |
| General Fund | | | | | | | | | | |
| For the Year Ended August 31, 2020 | | | | | | | | | | |
| **Variance With** | | | | | | | | | | |
| **Data** |  |  |  |  |  |  | **Actual** |  |  | **Final Budget** |
| **Control** |  |  | **Budgeted Amounts** | | |  | **Amounts** |  |  | **Under or** |
| **Codes** |  |  | **Original** |  | **Final** |  | **GAAP BASIS** |  |  | **(Over)** |
| **REVENUES** | | | | | | | | | | |
| 5700 | Local and intermediate sources | $ | 96,223,000 $ 97,424,300 | | |  | $ 96,941,793 |  | $ | (482,507) |
| 5800 | State program rev enues |  | 280,432,850 |  | 281,653,600 |  | 275,692,362 |  |  | (5,961,238) |
| 5900 | Federal program rev enues |  | 3,550,000 |  | 3,995,000 |  | 3,974,706 |  |  | (20,294) |
| 5020 | Total rev enues |  | 380,205,850 |  | 383,072,900 |  | 376,608,861 |  |  | (6,464,039) |
| **EXPENDITURES** | | | | | | | | | | |
| CURRENT: | | | | | | | | | | |
| 0011 | I nstruction |  | 230,564,500 |  | 219,167,200 |  | 211,559,530 |  |  | 7,607,670 |
| 0012 | I nstructional resources and media serv ices |  | 6,193,950 |  | 6,548,700 |  | 6,208,669 |  |  | 340,031 |
| 0013 | Curriculum and staff dev elopment |  | 4,658,100 |  | 4,066,100 |  | 3,829,566 |  |  | 236,534 |
| 0021 | I nstructional leadership |  | 6,849,400 |  | 6,900,200 |  | 6,889,245 |  |  | 10,955 |
| 0023 | School leadership |  | 20,101,050 |  | 20,054,200 |  | 19,745,382 |  |  | 308,818 |
| 0031 | Guidance, counseling, and ev aluation serv ices |  | 16,234,800 |  | 16,548,800 |  | 16,426,443 |  |  | 122,357 |
| 0032 | Social work serv ices |  | 216,100 |  | 231,200 |  | 220,715 |  |  | 10,485 |
| 0033 | Health serv ices |  | 4,105,700 |  | 4,031,400 |  | 3,994,527 |  |  | 36,873 |
| 0034 | Student transportation |  | 6,701,600 |  | 6,876,800 |  | 6,623,511 |  |  | 253,289 |
| 0035 | Food serv ice |  | 1,302,850 |  | 1,330,800 |  | 1,228,214 |  |  | 102,586 |
| 0036 | Extracurricular activities |  | 10,046,200 |  | 9,796,700 |  | 9,224,421 |  |  | 572,279 |
| 0041 | General administration |  | 9,303,400 |  | 9,211,500 |  | 9,190,689 |  |  | 20,811 |
| 0051 | Plant maintenance and operations |  | 36,352,950 |  | 37,421,400 |  | 35,540,859 |  |  | 1,880,541 |
| 0052 | Security and monitoring serv ices |  | 3,736,350 |  | 4,272,900 |  | 4,166,516 |  |  | 106,384 |
| 0053 | Data processing serv ices |  | 8,476,450 |  | 10,697,500 |  | 10,569,718 |  |  | 127,782 |
| 0061 | Community serv ices |  | 279,200 |  | 270,300 |  | 264,579 |  |  | 5,721 |
| CAPI TAL OUTLAY | | | | | | | | | | |
| 0081 | Facilities acquisition and construction |  | 14,188,700 |  | 14,191,100 |  | 13,871,130 |  |  | 319,970 |
| INTERGOVERNMENTAL: | | | | | | | | | | |
| 0095 | Payments to juv enile justice alternativ e ed. prg |  | 130,000 |  | 24,000 |  | 23,484 |  |  | 516 |
| 0097 | Payments to tax increment fund |  | 3,600,000 |  | 3,184,000 |  | 3,183,867 |  |  | 133 |
| 0099 | Other intergov ernmental |  | 420,000 |  | 419,500 |  | 419,493 |  |  | 7 |
| 6030 | Total expenditures |  | 383,461,300 |  | 375,244,300 |  | 363,180,558 |  |  | 12,063,742 |
| 1100 | Excess (deficiency) of revenues over |  |  |  |  |  |  |  |  |  |
|  | expenditures |  | (3,255,450) |  | 7,828,600 |  | 13,428,303 |  |  | 5,599,703 |
| **OTHER FINANCING SOURCES (USES):** | | | | | | | | | | |
| 7912 | Sale of real or personal property |  | 150,000 |  | 150,000 |  | 40,402 |  |  | (109,598) |
| 7915 | Transfers in |  | 400,000 |  | 400,000 |  | 391,200 |  |  | (8,800) |
| 8911 | Transfers out |  | (1,000,000) |  | (6,880,000) |  | (6,651,290) |  |  | 228,710 |
| 8949 | Other uses |  | - |  | - |  | (359,434) |  |  | (359,434) |
| 7080 | Total other financing sources (uses) |  | (450,000) |  | (6,330,000) |  | (6,579,122) |  |  | (249,122) |
| 1200 | Net change in fund balances |  | (3,705,450) |  | 1,498,600 |  | 6,849,181 |  |  | 5,350,581 |
| 0100 | Fund balances--beginning |  | 119,411,826 |  | 119,411,826 |  | 119,411,826 |  |  | - |
| 3000 | **Fund balances--ending** | $ | 115,706,376 $ 120,910,426 | | |  | $ 126,261,007 | $ 5,350,581 | | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Mesquite Independent School District**  Budgetary Comparison Schedule Food Service Fund  For the Year Ended August 31, 2020 | |  |  |  | **Exhibit G-2** | | | |
| **Data Control Codes**  5700  5800  5900 | **REVENUES**  Local and intermediate sources State program rev enues  Federal program revenues | **Budgeted Amounts Original Final**  $ 3,496,800 $ 2,309,800  314,200 1,643,600  19,030,100 15,532,000 | | | **Variance With**  **Actual Final Budget**  **Amounts Under or**  **GAAP BASIS (Over)**  $ 2,355,216 $ 45,416  1,850,340 206,740  15,276,430 (255,570) | | | |
| 5020 | Total revenues | 22,841,100 |  | 19,485,400 |  | 19,481,986 |  | (3,414) |
| 0035 | **EXPENDITURES**  CURRENT:  Food service | 22,556,100 |  | 21,137,800 |  | 19,609,032 |  | 1,528,768 |
| 6030 | Total expenditures | 22,556,100 |  | 21,137,800 |  | 19,609,032 |  | 1,528,768 |
| 7915  8911 | **OTHER FINANCING SOURCES (USES):**  Transfers in Transfers out | - (325,000) |  | - (370,000) |  | 32,058  (391,200) |  | (32,058)  21,200 |
| 7080 | Total other financing sources (uses) | (325,000) |  | (370,000) |  | (359,142) |  | (10,858) |
| 1200  0100 | Net change in fund balances Fund balances--beginning | (40,000)  7,254,415 |  | (2,022,400)  7,254,415 |  | (486,188)  7,254,415 |  | 1,536,212  - |
| 3000 | **Fund balances--ending** | $ 7,214,415 $ 5,232,015 | | | $ 6,768,227 $ 1,536,212 | | | |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Mesquite Independent School District** Schedule of the District’s Proportionate Share of the Net Pension Liability – TRS For the Year Ended August 31, 2020 |  |  |  |  |  |  |  | **Exhibit G-3** | | | |
|  | 2019 |  | 2018 |  | 2017 |  | 2016 |  | 2015 |  | 2014 |
| District's Proportion of the Net Pension Liability | 0.02363832% |  | 0.02428423% |  | 0.02320010% |  | 0.02289787% |  | 0.02364673% |  | 0.01668410% |

District's Proportionate Share of Net Pension Liability

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| $ 122,879,364 |  | $ 133,666,300 |  | $ 74,564,825 |  | $ 86,527,634 |  | $ 83,588,043 |  | $ 44,565,618 |
| 172,805,279 |  | 187,735,644 |  | 115,952,342 |  | 136,764,303 |  | 131,061,596 |  | 111,712,185 |
| $ 295,684,643 |  | $ 321,401,944 |  | $ 190,517,167 |  | $ 223,291,937 |  | $ 214,649,639 |  | $ 156,277,803 |
| $ 255,085,006 |  | $ 250,455,014 |  | $ 245,254,302 |  | $ 233,853,900 |  | $ 225,025,506 |  | $ 216,195,466 |
| 48% |  | 53% |  | 30% |  | 37% |  | 37% |  | 21% |
| 75.24% |  | 73.74% |  | 82.17% |  | 78.00% |  | 78.43% |  | 83.25% |

States Proportionate Share of the Net Pension Liability associated w ith the District

Total

District's Cov ered Employee Payroll

District's Proportionate Share of the Net Pension Liability as a percentage of its Cov ered Employee Payroll

Plan Fiduciary Net Position as a percentage of the Total Pension Liability

Note: GASB 68, 81,2,a requires that the information on this schedule be data from the period corresponding with the period cov ered as of the measurement date of August 31, 2019 - the period from September 1, 2019 - August 31, 2020.

Note: Ten years of data not av ailable

#### Schedule of the District’s Contributions – TRS For the Year Ended August 31, 2020

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2020 |  | 2019 |  | 2018 |  | 2017 |  | 2016 |  | 2015 |
| Contractually Required Contribution | $ 4,508,947 $ 3,807,728 $ 3,693,151 $ 3,257,314 $ 2,995,797 $ 2,902,999 | | | | | | | | | | |
| Contribution in Relation to the |  |  |  |  |  |  |  |  |  |  |  |
| Contractually Required Contribution | (4,508,947) |  | (3,807,728) |  | (3,693,151) |  | (3,257,314) |  | (2,995,797) |  | (2,902,999) |
| Contribution Deficiency (Excess) | - |  | - |  | - |  | - |  | - |  | - |
| District's Cov ered Employee Payroll | $ 268,230,953 $ 255,085,006 $ 250,455,014 $ 245,254,302 $ 233,853,857 $ 225,025,506 | | | | | | | | | | |
| Contributions as a percentage of |  |  |  |  |  |  |  |  |  |  |  |
| Cov ered Employee Payroll | 1.68% |  | 1.49% |  | 1.47% |  | 1.33% |  | 1.28% |  | 1.29% |

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period cov ered by the measurement date of September 1, 2018 - August 31, 2019.

Note: Ten years of data not available

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Schedule of the District’s Proportionate Share of the Net OPEB Liability of a Cost-Sharing Multiple-Employer OPEB Plan – TRS Last Three Fiscal Years\* |  | | | |
| 2020 |  | 2019 |  | 2018 |
| District's Proportion of the Net OPEB Liability 0.30204610% |  | 0.30681660% |  | 0.29561006% |
| District's Proportionate Share of Net OPEB Liability $ 142,841,285 |  | $ 153,196,337 |  | $ 128,549,725 |
| State's proportionate share of net OPEB liability |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| associated with the District 189,804,118 | | 209,766,192 | | 188,384,155 | |
| **TOTALS** $ 332,645,403 $ 362,962,529 $ 316,933,880 | | | | | |
| District's Cov ered Employee Payroll $ 255,085,006 $ 250,455,014 $ 245,254,302 | | | | | |
| District's Proportionate Share of the Net OPEB Liability as a percentage of its Covered Employee Payroll | 56.00% | 61.17% |  | | 52.41% |
| Plan Fiduciary Net Position as a percentage of the Total OPEB Liability | 2.66% | 1.57% |  | | 0.91% |

Note: GASB 75 ,a requires that the information on this schedule be data from the period corresponding with the period covered as of the Plan's fiscal year end, August 31, of the prior year.

Note: Ten years of data not available

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Schedule of the District’s Contributions to the Teacher Retirement System of Texas OPEB Plan – TRS Last Three Fiscal Years\* |  | | | | |
|  | 2020 |  | 2019 |  | 2018 |
| Contractually Required Contribution | $ 2,257,791 |  | $ 2,160,620 |  | $ 2,080,357 |
| Contribution in Relation to the Contractually Required Contribution | (2,257,791) |  | (2,160,620) |  | (2,080,357) |
| Contribution Deficiency (Excess) | - |  | - |  | - |
| District's Covered Employee Payroll | $ 255,085,006 | $ 250,455,014 | | 245,254,302 | |
| Contributions as a percentage of Cov ered Employee Payroll | 0.89% | 0.86% | | 0.85% | |

Note: GASB 75 ,a requires that the information on this schedule be data from the period corresponding with the period covered as of the Plan's fiscal year end, August 31, of the prior year.

Note: Ten years of data not available

**Note 1. Stewardship, Compliance, and Accountability**

##### Budgetary Information

The Board of Education adopts an “appropriated budget” on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund and the Food Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data:

* 1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
  2. A meeting of the Board of Education is then called for the purpose of adopting the proposed budget after ten days public notice of the meeting has been given.
  3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board of Education. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. Significant amendments were made to the following functional areas:

Function Increase (Decrease)

|  |  |  |  |
| --- | --- | --- | --- |
| **Revenue:** | | | |
| Local Rev enues State Rev enues Federal Rev enues |  | $ | 1,201,300  1,220,750  445,000 |

**Expense:**

Instruction (11,397,300)

Instructional Resources & Media 354,750

Curriculum and Staff Dev elopment (592,000)

Guidance, Counseling & Ev aluation 314,000

Plant Maintenance and Operations 1,068,450

Security and Monitoring Serv ices 536,550

Data Processing Serv ices 2,221,050

Payments to Tax Increment Fund (416,000)

Transfer I n or Out 5,880,000

* 1. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of Education. All budget appropriations lapse at year-end.
  2. The Texas Education Agency requires these budgets to be filed with the Texas Education Agency on a designated date through the Public Education Information Management System (PEIMS). The budget should not exceed any functional expenditure category under the TEA requirements. The original and final amended versions of these budgets are used in this report.

### Note 2. Pension Liability

###### *Pension Liability*

*Pension Changes of Benefit Terms*

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

*Pension Changes of Assumptions*

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

* The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.

With the enactment of SB3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a

$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

###### *Other Post Employment Benefits*

**Changes Since the Prior Actuarial Valuation** – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

* The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the total OPEB liability.
* The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the total OPEB liability.
* The trend rates were reset to better reflect the plan’s anticipated experience. This change increased the total OPEB liability.
* The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the total OPEB liability.

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**Combining Statements and Schedules**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Mesquite Independent School District**  Combining Balance Sheet Nonmajor Governmental Funds August 31, 2020 | |  |  |  |  |  |  | **Exhibit H-1** |
| **ASSETS**  Due from other gov ernments Due from other funds  Other receivables | **289**  **Other Fed****eral Special Revenue Funds** |  |  | **429**  **Other State Special Revenue Funds** |  | **499**  **Local Special Revenue Funds** |  | **Total Nonmajor Governmental Funds** |
| $ 17,354,265  -  - | $ | 2,002,483  - | $ -  218,268  663 | $ 19,356,748  218,268  663 |
| Total assets | $ 17,354,265 |  | $ | 2,002,483 |  | $ 218,931 |  | $ 19,575,679 |
| **LIABILITIES AND FUND BALANCES**  **Liabilities**  Accounts payable Accrued wages payable Due to other funds  Unearned revenues | $ 247,639 |  | $ | 30,273 |  | $ 1,876 |  | $ 279,788 |
| 7,862 |  | - | - | 7,862 |
| 17,098,764 |  | 1,760,169 | - | 18,858,933 |
| - |  | 74 | - | 74 |
| Total liabilities **Fund balances Restricted**  State Special Rev enue  **Committed**  Local Special Revenue | 17,354,265 |  |  | 1,790,516 |  | 1,876 |  | 19,146,657 |
| - | 211,967 | - | 211,967 |
| - | - | 217,055 | 217,055 |
| Total fund balances | - |  |  | 211,967 |  | 217,055 |  | 429,022 |
| **Total liabilities and fund balances** | $ 17,354,265 |  | $ | 2,002,483 |  | $ 218,931 |  | $ 19,575,679 |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Mesquite Independent School District** | |  |  |  |  |  |  |  | **Exhibit H-2** |
| Combining Statement of Revenues, Expenditures | |  |  |  |  |  |  |  |  |
| and Changes in Fund Balances | |  |  |  |  |  |  |  |  |
| Nonmajor Governmental Funds | |  |  |  |  |  |  |  |  |
| For the Year Ended August 31, 2020 | |  |  |  |  |  |  |  |  |
| **289** | |  | **429** |  |  | **499** |  |  |  |
| **Other Federal** | |  | **Other State** |  |  | **Local** |  |  | **Total** |
| **Special** | |  | **Special** | **Special** | | | **Nonmajor** | | |
| **Revenu****e** | |  | **Revenue** | **Revenue** | | | **Governmental** | | |
| **Funds** | |  | **Funds** |  |  | **Funds** |  |  | **Funds** |
| **REVENUES** | |  |  |  |  |  |  |  |  |
| Total local and intermediate sources | $ - |  | $ - |  | $ | 966,180 |  | $ | 966,180 |
| State program revenues | - |  | 3,978,926 |  |  | - |  |  | 3,978,926 |
| Federal program revenues | 28,689,283 |  | - |  |  | - |  |  | 28,689,283 |
| Total revenues | 28,689,283 |  | 3,978,926 |  |  | 966,180 |  |  | 33,634,389 |
| **EXPENDITURES** | |  |  |  |  |  |  |  |  |
| Current: | |  |  |  |  |  |  |  |  |
| 11 Instruction | 22,469,890 |  | 3,958,625 |  |  | 958,083 |  |  | 27,386,598 |
| 12 Instructional resources | |  |  |  |  |  |  |  |  |
| and media services | 21,057 |  | - |  |  | 18,772 |  |  | 39,829 |
| 13 Curriculum and staff dev elopment | 1,468,555 |  | 371 |  |  | 1,846 |  |  | 1,470,772 |
| 21 Instructional leadership | 643,426 |  | - |  |  | 187,216 |  |  | 830,642 |
| 23 School leadership | 587,255 |  | - |  |  | - |  |  | 587,255 |
| 31 Guidance, counseling, | |  |  |  |  |  |  |  |  |
| and evaluation services | 1,111,388 |  | 67,204 |  |  | 11,865 |  |  | 1,190,457 |
| 32 Social work services | 490,273 |  | - |  |  | - |  |  | 490,273 |
| 33 Health services | 75,995 |  | - |  |  | - |  |  | 75,995 |
| 34 Student transportation | 300,663 |  | - |  |  | - |  |  | 300,663 |
| 36 Extracurricular activ ities | 13,576 |  | - |  |  | 46,887 |  |  | 60,463 |
| 41 General administration | 334,950 |  | - |  |  | - |  |  | 334,950 |
| 51 Plant maintenance and operations | 750,154 |  | - |  |  | - |  |  | 750,154 |
| 53 Data processing services | 1,070 |  | - |  |  | - |  |  | 1,070 |
| 61 Community services | 417,680 |  | - |  |  | 3,265 |  |  | 420,945 |
| **Capital Outlay:** | |  |  |  |  |  |  |  |  |
| 81 Facilities acquisition and construction | 3,351 |  | - |  |  | - |  |  | 3,351 |
| Total expenditures | 28,689,283 |  | 4,026,200 |  |  | 1,227,934 |  |  | 33,943,417 |
| Excess (deficiency) of rev enues | |  |  |  |  |  |  |  |  |
| ov er expenditures | - |  | (47,274) |  |  | (261,754) |  |  | (309,028) |
| **OTHER FINANCING SOURCES (USES)** | |  |  |  |  |  |  |  |  |
| Transfers in | - |  | - |  |  | 307,234 |  |  | 307,234 |
| Total other financing sources and uses | - |  | - |  |  | 307,234 |  |  | 307,234 |
| Net change in fund balances | - |  | (47,274) |  |  | 45,480 |  |  | (1,794) |
| **Fund balances—beginning** | - |  | 259,241 |  |  | 171,575 |  |  | 430,816 |
| **Fund balances—ending** | $ - |  | $ 211,967 |  | $ | 217,055 |  | $ | 429,022 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Mesquite Independent School District** Combining Statement of Net Position Internal Service Funds  August 31, 2020 |  |  |  |  | **Exhibit H-3** |
|  | **781** |  | **790** |  |  |
| **Employee** | **Workers** | **Total** |
| **Health Center** | **Compensation** | **Internal** |
| **Fund** | **Fund** | **Service fund** |
| **ASSETS**  CURRENT ASSETS: |  |  |  |  |  |
| Cash and cash equivalents | $ 239,293 |  | $ 5,212,740 |  | $ 5,452,033 |
| Inv entory | 121,594 | - | 121,594 |
| Due from other funds | - | 80,201 | 80,201 |
| Other current assets | - | 9,758 | 9,758 |
| Total assets | 360,887 |  | 5,302,699 |  | 5,663,586 |
| **LIABILITIES**  CURRENT LIABILI TIES: |  |  |  |  |  |
| Accounts payable | 65,398 |  | 130 |  | 65,528 |
| Due to other funds | 112,392 | 3,327,585 | 3,439,977 |
| Accrued expenses | - | 858,834 | 858,834 |
| Total liabilities  **NET POSITION**  Unrestricted | 177,790 |  | 4,186,549 |  | 4,364,339 |
| 183,097 | 1,116,150 | 1,299,247 |
| **Total net position** | $ 183,097 |  | $ 1,116,150 |  | $ 1,299,247 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Mesquite Independent School District** |  |  |  |  | **Exhibit H-4** |
| Combining Statement of Revenues, Expenses |  |  |  |  |  |
| and Changes in Net Position |  |  |  |  |  |
| Internal Service Funds |  |  |  |  |  |
| For the Year Ended August 31, 2020 |  |  |  |  |  |
|  | **781** |  | **790** |  |  |
|  | **Employee** |  | **Workers** |  | **Total** |
|  | **Health Center** |  | **Compensation** |  | **Internal** |
|  | **Fund** |  | **Fund** |  | **Service Fund** |
| **OPERATING REVENUES** |  |  |  |  |  |
| Charges for serv ices | $ 3,654,953 |  | $ 1,100,000 |  | $ 4,754,953 |
| Total operating revenues | 3,654,953 |  | 1,100,000 |  | 4,754,953 |
| **OPERATING EXPENSES** |  |  |  |  |  |
| Personal serv ices | 1,374,728 |  | 251,194 |  | 1,625,922 |
| Professional and contractual services | 61,791 |  | 13,913 |  | 75,704 |
| Supplies and materials | 2,728,529 |  | 9,694 |  | 2,738,223 |
| Insurance claims and expenses | 40,600 |  | 948,058 |  | 988,658 |
| Other operating costs | 3,409 |  | 12,930 |  | 16,339 |
| Total operating expenses | 4,209,057 |  | 1,235,789 |  | 5,444,846 |
| Operating loss | (554,104) |  | (135,789) |  | (689,893) |
| **NONOPERATING REVENUES** |  |  |  |  |  |
| Earnings from temporary deposits and investments | 1,447 |  | 158 |  | 1,605 |
| Total nonoperating revenue | 1,447 |  | 158 |  | 1,605 |
| **LOSS BEFORE TRANSFERS** | (552,657) |  | (135,631) |  | (688,288) |
| Transfers in | 311,998 |  | - |  | 311,998 |
| Total transfers | 311,998 |  | - |  | 311,998 |
| Change in net position | (240,659) |  | (135,631) |  | (376,290) |
| **Net position—beginning** | 423,756 |  | 1,251,781 |  | 1,675,537 |
| **Net position—ending** | $ 183,097 |  | $ 1,116,150 |  | $ 1,299,247 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Mesquite Independent School District** Combining Statement of Cash Flows Internal Service Funds  For the Year Ended August 31, 2020 |  |  |  |  |  | **Exhibit H-5** | | |
|  | **781** | | **790** | | |  | | |
|  | **Employee** | | **Workers** | | | **Total** | | |
|  | **Health Center** | | **Compensation** | | | **Internal** | | |
|  | **Fund** | | **Fund** | | | **Service Fund** | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** |  | |  | | |  | | |
| Cash receiv ed from transactions with other funds | $ 3,817,738 | | $ 1,080,807 | | | $ 4,898,545 | | |
| Payments to suppliers | (2,699,586) | | 132,200 | | | (2,567,386) | | |
| Payments to employees | (1,436,519) | | (265,107) | | | (1,701,626) | | |
| Claims paid | (40,600) | | (948,058) | | | (988,658) | | |
| Net cash used in operating activ ities |  | (358,967) |  |  | (158) |  |  | (359,125) |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**  Transfers in |  | 311,998 |  |  | - |  |  | 311,998 |
| Net cash prov ided by non-capital financing activ ities |  | 311,998 |  |  | - |  |  | 311,998 |
| **CASH FLOWS FROM INVESTING ACTIVITIES**  Inv estment earnings |  | 1,447 |  |  | 158 |  |  | 1,605 |
| Net cash prov ided by inv esting activ ities |  | 1,447 |  |  | 158 |  |  | 1,605 |
| Net decrease in cash and cash equiv alents |  | (45,522) |  |  | - |  |  | (45,522) |
| **Balances—beginning of the year** |  | 284,815 |  |  | 5,212,740 |  |  | 5,497,555 |
| **Balances—end of the year** | $ 239,293 | | $ 5,212,740 | | | $ 5,452,033 | | |
| **Reconciliation of operating loss to net cash used in operating activities:**  Operating loss  Adjustments to reconcile operating loss to net cash used in operating activities:  Decrease in inv entory  Increase (decrease) in interfund receiv ables/payables Increase (decrease) in accounts payable  Increase in accrued expenses | $ | (554,104)  33,267  162,785  (915)  - |  | $ | (135,789)  - (19,193)  130  154,694 |  | $ | (689,893)  33,267  143,592  (785)  154,694 |
| **Net cash used in operating activities** | $ | (358,967) | $ | (158) | $ | (359,125) |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Mesquite Independent School District** Combining Statement of Net Position Private Purpose Trust Funds  August 31, 2020 |  |  |  |  | **Exhibit H-6** |
| **ASSETS**  Cash and cash equivalents | **806**  **Meadows O'Donnell Foundation**  $ 121 |  | **810**  **Scholarship Fund**  $ 180,489 |  | **Total Private Purpose Trust Funds**  $ 180,610 |
| Total assets | $ 121 |  | $ 180,489 |  | $ 180,610 |
| **NET POSITION**  Unrestricted net position | 121 |  | 180,489 |  | 180,610 |
| Total net position | 121 |  | 180,489 |  | 180,610 |
| **Total liabilities and net position** | $ 121 |  | $ 180,489 |  | $ 180,610 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Mesquite Independent School District** Combining Statement of Revenues, Expenses and Changes in Fund Net Position  Private Purpose Trust Funds  For the Year Ended August 31, 2020 |  |  |  |  | **Exhibit H-7** |
| **ADDITIONS**  Local and intermediate sources | **806**  **Meadows O'Donnell Foundation**  $ - |  | **810**  **Scholarship Fund**  $ 38,664 |  | **Total Private Purpose Trust Funds**  $ 38,664 |
| Total additions | - |  | 38,664 |  | 38,664 |
| **DEDUCTIONS**  Professional and contracted services Supplies and materials  Other operating costs | -  -  - |  | 990  7,971  6,674 |  | 990  7,971  6,674 |
| Total deductions | - |  | 15,635 |  | 15,635 |
| Changes in net position | - |  | 23,029 |  | 23,029 |
| Net position September 1 (beginning) | 121 |  | 157,460 |  | 157,581 |
| **Net position August 31 (ending)** | $ 121 |  | $ 180,489 |  | $ 180,610 |

# Required TEA Schedules

**Mesquite Independent School District**Schedule of Delinquent Taxes Receivable Fiscal Year Ended August 31, 2020

**1** **2** **3**

Net Assessed/Appraised

Last Ten Years Ended Tax Rates Value For School August 31 Maintenance Debt Service Tax Purposes

2011 and prior years v arious v arious v arious

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2012 |  | 1.0400 | 0.3800 | 6,108,497,389 |
| 2013 |  | 1.0400 | 0.3800 | 5,974,344,054 |
| 2014 |  | 1.0400 | 0.3700 | 6,026,805,180 |
| 2015 |  | 1.0400 | 0.3700 | 6,292,645,410 |
| 2016 |  | 1.0400 | 0.3700 | 6,349,928,151 |
| 2017 |  | 1.0400 | 0.4200 | 7,006,189,277 |
| 2018 |  | 1.0400 | 0.4200 | 7,733,696,015 |
| 2019 |  | 1.0400 | 0.4800 | 8,535,408,168 |
| 2020 | (School year under audit) | 0.9700 | 0.4800 | 9,351,237,350 |

**1000** TOTALS

9000 - Portion of Row 1000 for Taxes Paid

into Tax Increment Zone Under Chapter 311, Tax Code (Function 97)

**Exhibit J-1**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| $  $ | **10**  Beginning Balance 09/01/19  3,173,492  235,855  280,862  322,750  401,051  415,009  540,292  863,263  1,980,634  - 8,213,208 |  | $ | **20**  Current Year's Total Lev y  134,441,468  134,441,468 |  | **31**  Maintenance Total Collections  $ 68,816  13,650  18,527  28,054  43,442  47,064  76,307  118,508  364,798  86,253,188  $ 87,032,354 |  | **32**  Debt Serv ice Total Collections  $ 21,911  4,986  6,769  9,981  15,455  16,744  30,816  47,859  168,368  42,681,897  $ 43,004,786 | **40**  Entire Year's  Adjustments  $ (782,284)  -  -  - 3,717  5,264  9,425  (71,694)  (425,753)  (3,625,518)  $ (4,886,843) | | |  | $  $ | **50**  Ending Balance 08/31/20  2,300,481  217,219  255,566  284,715  345,871  356,465  442,594  625,202  1,021,715  1,880,865  7,730,693 |
| $ | - |  | $ | - |  | $ 2,129,897 |  | $ 1,053,970 |  | $ | - |  | $ | - |

**Mesquite Independent School District Exhibit J-2**

#### Budgetary Comparison Schedule Debt Service Fund

For the Year Ended August 31, 2020

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  | **Variance With** |
| **Data** |  |  |  |  |  | **Actual** |  | **Final Budget** |
| **Control** |  |  | **Budgeted Amounts** |  |  | **Amounts** |  | **Under or** |
| **Codes** |  |  | **Original Final** | **GAAP BASIS** | | |  | **(Over)** |
| **REVENUES** | | | | | | | | |
| 5700 | Local and intermediate sources | $ | 42,746,100 $ 41,989,200 |  | $ | 44,410,793 |  | $ 2,421,593 |
| 5800 | State program rev enues |  | 19,349,900 20,376,100 |  |  | 20,376,022 |  | (78) |
| 5020 | Total rev enues |  | 62,096,000 62,365,300 |  |  | 64,786,815 |  | 2,421,515 |
| **EXPENDITURES** | | | | | | | | |
| CURRENT: | | | | | | | | |
| DEBT SERVI CE: | | | | | | | | |
| 0071 | Principal on long-term debt |  | 28,300,000 23,660,600 |  |  | 24,405,378 |  | (744,778) |
| 0072 | I nterest on long-term debt |  | 33,200,000 33,200,000 |  |  | 35,627,559 |  | (2,427,559) |
| 0073 | Bond issuance costs and fees |  | 600,000 600,000 |  |  | 394,629 |  | 205,371 |
| 6030 | Total expenditures |  | 62,100,000 57,460,600 |  |  | 60,427,566 |  | (2,966,966) |
| 1100 | Excess (deficiency) of rev enues ov er |  |  |  |  |  |  |  |
|  | expenditures |  | (4,000) 4,904,700 |  |  | 4,359,249 |  | (545,451) |
| **OTHER FINANCING SOURCES (USES) :** | | | | | | | | |
| 7901 | Refunding bonds issued |  | - 13,941,800 |  |  | 11,940,000 |  | (2,001,800) |
| 7916 | Premium or discount on issuance of bonds | | - - |  |  | 2,001,805 |  | 2,001,805 |
| 8940 | Payment to bond refunding fund |  | - (13,974,900) |  |  | (13,974,862) |  | 38 |
| 8949 | Other uses |  | - - |  |  | (162,273) |  | (162,273) |
| 7080 | Total other financing sources (uses) |  | - (33,100) |  |  | (195,330) |  | (162,230) |
| 1200 | Net change in fund balances |  | (4,000) 4,871,600 |  |  | 4,163,919 |  | (707,681) |
| 0100 | Fund balances--beginning |  | 24,998,309 24,998,309 |  |  | 24,998,309 |  | - |
| 3000 | Fund balances--ending | $ | 24,994,309 $ 29,869,909 |  | $ | 29,162,228 |  | $ (707,681) |

# Federal Awards Section

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##### 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

Mesquite Independent School District Mesquite, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mesquite Independent School District (the District), as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated January xx, 2021.

##### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

##### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Weaver and Tidwell, L.L.P. 2300 North Field Street, Suite 1000 ***|*** Dallas, Texas 75201

87 Main: 972.490.1970

**CPAs AND ADVISORS | WEAVER.COM**

Board of Trustees

Mesquite Independent School District

##### 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 District’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 District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver signature 

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas January 8, 2021

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##### Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance

**in Accordance with the Uniform Guidance**

Board of Trustees

Mesquite Independent School District Mesquite, Texas

##### Report on Compliance for Each Major Federal Program

We have audited Mesquite Independent School District’s (the District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of District’s major federal programs for the year ended August 31, 2020. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

###### *Management’s Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

###### *Auditor’s Responsibility*

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District’s compliance.

###### *Opinion on Each Major Federal Program*

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

Weaver and Tidwell, L.L.P. 2300 North Field Street, Suite 1000 ***|*** Dallas, Texas 75201

89 Main: 972.490.1970

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Board of Trustees

Mesquite Independent School District

##### Report on Internal Control Over Compliance

The administration of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Weaver signature 

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas January 8, 2021

##### Summary of the Auditor's Results:

Financial Statements

1. An unmodified opinion was issued on the financial statements.
2. Internal control over financial reporting:
   * Material weakness(es) identified? Yes X No
   * Significant deficiency(ies) identified that are not

considered a material weakness? Yes  X None Reported

1. Noncompliance material to financial

statements noted Yes  X No

Major Programs

1. Internal control over major programs:
   * Material weakness(es) identified? Yes X No
   * Significant deficiency(ies) identified that are not

considered a material weakness? Yes  X None Reported

1. An unmodified opinion was issued on compliance for major programs.
2. Any audit findings disclosed that were required to be

in accordance with Uniform Guidance Yes  X No

1. Identification of major programs:

Special Education Cluster 84.027A and 84.173A Elementary and Secondary School Emergency Relief Fund 84.425D

1. The dollar threshold used to distinguish between Type

A and Type B programs. $1,335,013

1. Auditee qualified as a low-risk auditee.  X Yes No
2. **Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.**

##### None were noted in current year.

1. **Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above** **None were noted in current year.**

Summary Schedule of Prior Audit Findings Year Ended August 31, 2020

**No prior year audit findings.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Mesquite Independent School District** Schedule of Expenditures of Federal Awards For the Year Ended August 31, 2020 |  |  | **Exhibit K-1** |
| **{1}** | **{2}** | **{3}** | **{4}** |
| Federal/ State Grantor | CFDA  Number | Pass-Through Grantor/ Program Title | Federal Expenditures |

**U.S. Department of Defense**

Direct Program:

Selective Reserve Educational Assistance Program 12.609 N/A $ 534,711

**U.S. Department of Education**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Passed Through State Department of Education:** |  |  |  |  |
| Carl D. Perkins Basic Formula Grant | 84.048A | 20420006057914 | 599,497 |
| ESEA Title 1 Part A-Improving Basic Programs | 84.010A | 20610101057914 | 9,986,071 |
| ESEA Title 1 Part C-Education of Migratory Children | 84.011 | 16615001057950 | 2,239 |
| Elementary and Secondary School Emergency Relief Fund | 84.425D | 20521001057914 | 8,697,072 |
| Special Education Cluster (IDEA) |  |  |  |  |
| IDEA -Part B, Formula | 84.027A | 206600010579146600 | 6,978,815 |
| IDEA -Part B, Discretionary (Deaf) | 84.027A | 206600110579146673 | 207,151 |
| IDEA -Part B, Preschool | 84.173A | 206610010579146610 | 89,998 |
| Total Special Education Cluster |  |  |  | 7,275,964 |
| ESEA Title I I , Part A | 84.367A | 69451971 |  | 793,786 |
| Title III - Part A - English Language Acquisitions and Enhancement | 84.365A | 20671001057950 | 743,581 |
| Title IV - Part A - Subpart 1 | 84.424A | 20680101057914 | 573,709 |
| LEP Summer School | 84.369A | 69551902 | 17,364 |
| Total Passed Through State Department of Education |  |  |  | 28,689,283 |
| **U.S. Department of Agriculture**  Child Nutrition Cluster  Passed Through State Department of Agriculture: National School Lunch Program - Commodities Passed Through State Department of Education:  National School Lunch Program School Breakfast Program  Total Child Nutrition Cluster | 10.555 | 806780706 |  | 1,699,613 |
| 10.555  10.553 | 71302001  71402001 | 10,501,651  3,075,166  15,276,430 |
|  |  | Total Federal Assistance | $ | 44,500,424 |

#### Notes on Accounting Policies for Federal Awards

**Note 1.** For all Federal programs, the District uses the fund types specified in Texas Education Agency's ***Financial Accountability System Resource Guide***. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

**Note 2.** The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for interest not matured on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

**Note 3.** The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, 2 CFR 200 Uniform Guidance.

**Note 4.** School Health and Related Services-NHIC reimbursements of $3,439,995, which are recorded as federal revenue in the general fund, are not considered federal awards for purpose of this schedule.

**Note 5.** The District has not elected to use the 10% de minimus cost rate allowable by Uniform Guidance.

#### School First Questionnaire (Unaudited) For the Year Ended August 31, 2020

Data

|  |  |  |
| --- | --- | --- |
| Control  Codes |  | Response |
| SF1 | Was there an unmodified opinion in the Annual Financial Report on the statements as a whole? | Yes |

SF2

Were there any disclosures in the Annual Financial Report

and/or other sources of information concerning nonpayment No

of any terms of any debt agreement at fiscal year-end?

Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (I f the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not hav e made timely payments.)

SF3 Yes

Payments to the TRS and TWC are considered timely if a

warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the

warrant hold was issued.

SF4

Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.

Was the school district issued a warrant hold? Even if the

issue surrounding the initial warrant hold was resolv ed and No cleared within 30 days, the school district is considered to

hav e been issued a warrant hold.

Did the Annual Financial Report disclose any instances of

SF5 material weaknesses in internal controls over financial No reporting and compliance for local, state, or federal funds?

Was there any disclosure in the Annual Financial Report of

SF6 material noncompliance for grants, contracts, and laws No related to local, state, or federal funds?

Did the school district post the required financial information on its website in accordance with Gov ernment Code, Local

SF7 Government Code, Texas Education Code, Texas Yes

Administrativ e Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?

Did the school board members discuss the school district's

SF8 property values at a board meeting within 120 days before Yes the school district adopted its budget?

SF9

Total accumulated accretion on CABs included in

gov ernment-wide financial statements at fiscal year-end.

$ 19,158,560