

Mesquite Independent School District

Annual Financial Report

For The Year Ended August 31, 2017

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Mesquite Independent School District
 Annual Financial Report
 For The Year Ended August 31, 2017
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Introductory Section

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CERTIFICATE OF BOARD

MESQUITE INDEPENDENT SCHOOL DISTRICT
Name of School District

Dallas
County

057-914
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2017 at the meeting of the Board of Trustees of such school district on the 8th day of January, 2018.



Signature of Board Secretary



Signature of Board President

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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, 2017, 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 Mesquite Independent School District, as of August 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-10 and budgetary comparison and net pension liability information on pages 56-61 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.

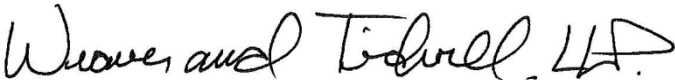
Other Information

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 and required TEA schedules 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 Principles, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2018, 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 AND TIDWELL, L.L.P.

Dallas, Texas
January 8, 2018

Management's Discussion And Analysis

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, 2017. 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 \$286,507,221, unrestricted net position was \$35,696,524, net investment in capital assets was \$229,504,641, net position restricted for food service was \$5,995,589 and net position restricted for debt service was \$15,310,467.

Fund level statements

- The District's General Fund Balance was \$120,343,600, an increase of \$7,940,758 from the prior year.
- The District's Debt Service Fund Balance was \$17,586,395, an increase of \$2,507,112 from the prior year.
- The District's Capital Projects Fund Balance was \$193,695,206, an increase of \$104,089,827 from the prior year.
- The District's Food Service Special Revenue Fund Balance was \$5,995,589, an increase of \$892,446 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 position 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 11-12 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.

Management's Discussion And Analysis

- 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 and capital projects fund, all four of which are considered to be major funds. Data from the other thirty-three 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 14-20 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 21-23 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 24-25. 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 27-54 of this report.

Management's Discussion And Analysis

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 56-61 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 64-70 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 \$286,507,221 as of August 31, 2017.

The District's Net Position

	2017	2016	Difference
Current and other assets	\$ 360,610,460	\$ 265,567,785	\$ 95,042,675
Capital assets	619,953,550	529,459,767	90,493,783
Long-term investments	26,500,763	-	26,500,763
Total assets	1,007,064,773	795,027,552	212,037,221
Deferred Outflows of Resources	97,325,392	95,474,142	1,851,250
Long-term liabilities outstanding	755,363,500	573,142,258	182,221,242
Other liabilities	48,182,586	43,412,142	4,770,444
Total liabilities	803,546,086	616,554,400	186,991,686
Deferred Inflows of Resources	14,336,858	16,436,950	(2,100,092)
Net position:			
Net investment in capital assets	229,504,641	205,054,195	24,450,446
Restricted	21,306,056	20,182,426	1,123,630
Unrestricted	35,696,524	32,273,723	3,422,801
Total net position	\$ 286,507,221	\$ 257,510,344	\$ 28,996,877

Governmental activities. The District's total net position increased by \$28,996,877. The total cost of all *governmental activities* this year was \$433,668,862. The amount that our taxpayers paid for these activities through property taxes was \$101,475,310 or 23.4%.

Management's Discussion And Analysis

Changes in the District's Net Position

	2017	2016	Difference
Revenues:			
Program revenues:			
Charges for services	\$ 8,011,409	\$ 8,419,027	\$ (407,618)
Operating grants & contributions	98,751,932	89,466,832	9,285,100
General revenues:			
Property taxes	101,475,310	89,546,444	11,928,866
State grants	249,529,752	248,525,884	1,003,868
Other	4,897,336	4,200,900	696,436
Total revenues	<u>462,665,739</u>	<u>440,159,087</u>	<u>22,506,652</u>
Expenses:			
Instruction	249,773,394	242,154,715	7,618,679
Instructional resources & media services	6,079,024	5,967,256	111,768
Curriculum & staff development	5,262,749	5,559,436	(296,687)
Instructional leadership	7,662,243	7,022,459	639,784
School leadership	20,987,904	19,956,276	1,031,628
Guidance, counseling & evaluation services	17,125,284	16,282,192	843,092
Social work services	569,318	520,114	49,204
Health services	4,302,691	4,121,429	181,262
Student (pupil) transportation	5,356,485	4,859,793	496,692
Food Services	23,359,127	24,326,564	(967,437)
Co-curricular/extracurricular activities	9,700,236	9,023,500	676,736
General administration	9,005,498	8,950,448	55,050
Plant maintenance & operations	35,402,396	34,447,029	955,367
Security and monitoring services	3,441,031	3,342,684	98,347
Data processing services	7,983,934	7,405,842	578,092
Community services	548,052	572,881	(24,829)
Debt service-interest on long-term debt	20,420,819	9,445,553	10,975,266
Bond Issuance Costs and Fees	1,860,919	1,546,716	314,203
Facilities acquisition & construction	980,752	610,464	370,288
Payments to juvenile justice alternative education program	85,308	81,423	3,885
Payments to tax increment fund	3,416,856	2,920,653	496,203
Other Intergovernmental charges	344,842	354,292	(9,450)
Total expenses	<u>433,668,862</u>	<u>409,471,719</u>	<u>24,197,143</u>
Increase in Net Position	28,996,877	30,687,368	(1,690,491)
Beginning Net Position	<u>257,510,344</u>	<u>226,822,976</u>	<u>30,687,368</u>
Ending Net Position	<u><u>\$ 286,507,221</u></u>	<u><u>\$ 257,510,344</u></u>	<u><u>\$ 28,996,877</u></u>

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 \$338,046,744, an increase of \$115,458,669. Approximately 34.2 percent or \$115,770,660 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 \$1,628,410, and prepaid expenditures \$240,879; restricted, debt service \$17,586,395, food service \$5,448,917, capital acquisitions \$193,695,206, and state special revenue, \$204,344; committed, local special revenue, \$221,610; assigned, \$3,250,323.

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 \$115,770,660, while the total fund balance was \$120,343,600. 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 33.9 percent of the total general fund expenditures, while total fund balance represents 35.2 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, 2017, amounted to \$3,154,069.

General Fund Budgetary Highlights

The budget was amended several times during the fiscal year 2017. The district made the following amendments to budgeted revenue:

- \$ 2,751,900 increase in local revenue
- \$ 1,410,500 increase in state revenue
- \$ 205,100 decrease in federal revenue
- \$ 47,400 decrease in other resources

Following is a summary of amendments made to appropriations:

- \$ 3,226,600 decrease for instructional services
- \$ 213,200 decrease for instructional and school leadership
- \$ 1,532,500 increase for student services
- \$ 211,050 decrease for general administration
- \$ 1,896,050 increase for support services
- \$ 1,391,700 increase for data processing
- \$ 40,450 increase for ancillary services
- \$ 8,480,250 increase for capital outlay
- \$ 96,000 decrease 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, 2017, amounts to \$619,953,550 (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)		
	2017	2016	Difference
Land	\$ 16,620,265	\$ 16,265,561	\$ 354,704
Buildings and improvements	424,002,257	412,636,714	11,365,543
Furniture & equipment	58,050,607	54,116,447	3,934,160
Construction in progress	121,280,421	46,441,045	74,839,376
Totals at historical cost	<u>\$ 619,953,550</u>	<u>\$ 529,459,767</u>	<u>\$ 90,493,783</u>

Long-term debt. At the end of August 31, 2017, the District had total bonded debt outstanding of \$544,763,402, an increase of \$145,439,070 from the prior year. The District issued \$12,803,008 of Unlimited Tax Refunding Bonds for the period ending August 31, 2017 plus \$174,725,000 of new Unlimited School building bonds. 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 .02% annually from fiscal 2013-2017, with an increase in 2017 of 1%. Top ten taxpayers account for about 5.9% of a diversified tax roll, where residential property comprises roughly 64.6% of the District's AV and commercial property accounts for approximately 35.4%. The economic base includes retail, telecommunications, manufacturing, warehousing, and distribution enterprises.

Economic Factors and Next Year's Budgets and Rates

- The District's student attendance rate was 96.5 percent for 2017.
- The District's enrollment has experienced an increase of less than 1% percent.

Budget for 2018

- Local revenue increased \$12,004,435, state aid increased \$3,119,850, federal decreased \$221,150 and other sources decreased \$99,497,400 for a total net decrease of \$84,594,265.
- Expenditures for 2018 increased \$25,749,880 in the general fund due to raises and additional staff for salaries, supplies in every function of the school district, and capital additions to two middle schools, increased for debt service \$1,609,000, increased for capital projects \$5,324,100, increased for special revenue funds \$1,083,135, for a total net increase of \$33,766,115.

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
Statement of Net Position
August 31, 2017

Exhibit A-1

**Data
Control
Codes**

		Governmental Activities
ASSETS		
1110	Cash and cash equivalents	\$ 123,254,250
1120	Investments	219,746,805
1220	Delinquent property taxes receivable	7,494,004
1230	Allowance for uncollectable taxes (credit)	(3,246,623)
1240	Due from other governments	7,490,368
1250	Accrued interest	822,452
1290	Other receivables (net)	2,996,957
1300	Inventories	1,801,610
1410	Prepaid expenditures or expenses	240,879
1490	Other current assets	9,758
	Capital assets:	
1510	Land	16,620,265
1520	Buildings and improvements	696,804,551
1530	Furniture and equipment	167,391,958
1550	Capital lease assets	4,159,457
1570	Accumulated depreciation	(386,303,102)
1580	Construction in progress	121,280,421
1910	Long-term investments	26,500,763
1000	Total Assets	<u>1,007,064,773</u>
DEFERRED OUTFLOWS OF RESOURCES		
1701	Accumulated decrease in fair value of hedging derivative	5,441,544
1702	Deferred loss on refunding	49,813,483
1705	Related to TRS Pension	42,070,365
1700	Total deferred outflows of resources	<u>97,325,392</u>
LIABILITIES		
2110	Accounts payable	22,338,558
2140	Interest payable	1,078,014
2150	Payroll deductions and withholdings	2,519,687
2160	Accrued wages payable	15,705,457
2180	Due to other governments	2,418
2200	Accrued expenditures or expenses	696,179
2300	Unearned revenue	400,729
2302	Derivative instrument	5,441,544
	Noncurrent liabilities:	
2501	Due within one year	29,111,731
2502	Due in more than one year	639,724,135
2540	Net pension liability (District's share)	86,527,634
2000	Total Liabilities	<u>803,546,086</u>
DEFERRED INFLOWS OF RESOURCES		
2605	Related to TRS Pension	14,336,858
2600	Total deferred inflows of resources	<u>14,336,858</u>
NET POSITION		
3200	Net investment in capital assets	229,504,641
	Restricted for:	
3820	Food service	5,995,589
3850	Debt service	15,310,467
3900	Unrestricted net position	35,696,524
3000	Total net position	<u>\$ 286,507,221</u>

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

Mesquite Independent School District
Statement of Activities
For the Year Ended August 31, 2017

Exhibit B-1

Data Control Codes	1	Program Revenues		Net (Expense)	
		3	4	Revenue and	
		Charges for	Operating	Changes in Net	
Expenses	Services	Grants and	Position		
		Contributions	Governmental		
			Activities		
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 249,773,394	\$ 421,578	\$ 35,938,513	\$ (213,413,303)
12	Instructional resources and media services	6,079,024	-	555,728	(5,523,296)
13	Curriculum and staff development	5,262,749	-	4,110,380	(1,152,369)
21	Instructional leadership	7,662,243	-	1,917,908	(5,744,335)
23	School leadership	20,987,904	-	1,860,519	(19,127,385)
31	Guidance, counseling, and evaluation services	17,125,284	-	2,781,142	(14,344,142)
32	Social work services	569,318	-	1,495,869	926,551
33	Health services	4,302,691	-	455,136	(3,847,555)
34	Student transportation	5,356,485	-	473,242	(4,883,243)
35	Food service	23,359,127	3,271,127	19,270,961	(817,039)
36	Extracurricular activities	9,700,236	3,714,881	820,192	(5,165,163)
41	General administration	9,005,498	-	701,085	(8,304,413)
51	Plant maintenance and operations	35,402,396	603,823	2,561,193	(32,237,380)
52	Security and monitoring services	3,441,031	-	255,204	(3,185,827)
53	Data processing services	7,983,934	-	657,066	(7,326,868)
61	Community services	548,052	-	2,148,406	1,600,354
72	Interest on long-term debt	20,420,819	-	21,922,615	1,501,796
73	Bond issuance costs and fees	1,860,919	-	-	(1,860,919)
81	Facilities acquisition and construction	980,752	-	826,773	(153,979)
95	Payments to juvenile justice alternative education programs	85,308	-	-	(85,308)
97	Payments to Tax Increment Fund	3,416,856	-	-	(3,416,856)
99	Other intergovernmental charges	344,842	-	-	(344,842)
[TP] TOTAL PRIMARY GOVERNMENT:		433,668,862	8,011,409	98,751,932	(326,905,521)
Data		General Revenues:			
Control		Taxes			
Codes		Property Taxes, Levied for General Purposes			72,294,545
MT		Property Taxes, Levied for Debt Service			29,180,765
DT		State Aid - Formula Grants			249,529,752
SF		Miscellaneous Local and Intermediate Revenue			1,771,269
GC		Investment Earnings			3,126,067
IE		Total general revenues			355,902,398
TR		Change in net position			28,996,877
CN		Net position-beginning			257,510,344
NB		Net position-ending			\$ 286,507,221
NE					

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

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Mesquite Independent School District
Balance Sheet
Governmental Funds
August 31, 2017

Data Control Codes	10	24	50 Debt Service Fund	
	General Fund	Food Service		
ASSETS				
1110	Cash and cash equivalents	\$ 30,890,893	\$ 2,412,443	\$ 10,101,191
1120	Investments	102,890,069	4,064,469	7,466,675
1220	Property taxes delinquent	5,548,459	-	1,945,545
1230	Allowance for uncollectable taxes (credit)	(2,403,756)	-	(842,867)
1240	Due from other governments	1,702,467	386,606	-
1250	Accrued interest	320,675	8,035	17,391
1260	Due from other funds	10,373,225	-	4,500
1290	Other receivables	740,386	-	-
1300	Inventories	1,081,738	546,672	-
1410	Prepaid expenditures	240,879	-	-
1000	Total assets	<u>\$ 151,385,035</u>	<u>\$ 7,418,225</u>	<u>\$ 18,692,435</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
LIABILITIES:				
2110	Accounts payable	\$ 8,161,742	\$ 589,272	\$ -
2150	Payroll deductions and withholdings payable	2,519,687	-	-
2160	Accrued wages payable	15,344,430	353,165	-
2170	Due to other funds	1,668,857	295,883	3,361
2180	Due to other governments	2,418	-	-
2300	Unearned revenue	199,598	184,316	-
2000	Total liabilities	<u>27,896,732</u>	<u>1,422,636</u>	<u>3,361</u>
DEFERRED INFLOWS:				
2600	Unavailable revenue	3,144,703	-	1,102,679
	Total deferred inflows	<u>3,144,703</u>	<u>-</u>	<u>1,102,679</u>
FUND BALANCES:				
Nonspendable				
3410	Inventories	1,081,738	546,672	-
3430	Prepaid expenditures	240,879	-	-
Restricted				
3480	Debt service	-	-	17,586,395
3470	Capital acquisitions program	-	-	-
3450	Food service	-	5,448,917	-
3450	State Special Revenue	-	-	-
Committed				
3545	Local Special Revenue	-	-	-
3590	Assigned	3,250,323	-	-
3600	Unassigned	115,770,660	-	-
3000	Total fund balances	<u>120,343,600</u>	<u>5,995,589</u>	<u>17,586,395</u>
4000	Total liabilities, deferred inflows, and fund balances	<u>\$ 151,385,035</u>	<u>\$ 7,418,225</u>	<u>\$ 18,692,435</u>

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

60	Non-Major Governmental Funds	98 Total Governmental Funds
Capital Projects		
\$ 73,456,888	\$ -	\$ 116,861,415
131,826,355	-	246,247,568
-	-	7,494,004
-	-	(3,246,623)
-	5,401,295	7,490,368
476,351	-	822,452
1,232,219	375,997	11,985,941
39,466	19	779,871
-	-	1,628,410
-	-	240,879
<u>\$ 207,031,279</u>	<u>\$ 5,777,311</u>	<u>\$ 390,304,285</u>

\$ 13,336,073	\$ 159,664	\$ 22,246,751
-	-	2,519,687
-	7,862	15,705,457
-	5,167,016	7,135,117
-	-	2,418
-	16,815	400,729
<u>13,336,073</u>	<u>5,351,357</u>	<u>48,010,159</u>

-	-	4,247,382
-	-	4,247,382

-	-	1,628,410
-	-	240,879

-	-	17,586,395
193,695,206	-	193,695,206
-	-	5,448,917
-	204,344	204,344

-	221,610	221,610
-	-	3,250,323
-	-	115,770,660

<u>193,695,206</u>	<u>425,954</u>	<u>338,046,744</u>
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<u>\$ 207,031,279</u>	<u>\$ 5,777,311</u>	<u>\$ 390,304,285</u>
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Mesquite Independent School District

Exhibit C-2

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position August 31, 2017

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 338,046,744
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.	3,154,069
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	1,006,256,652
Accumulated depreciation has not been included in the governmental fund financial statements.	(386,303,102)
Bonds payable have not been included in the governmental fund financial statements.	(544,763,402)
Accreted interest for capital appreciation bonds have not been included in the governmental fund financial statements.	(30,235,312)
Unavailable revenue in the fund financial statements was recorded as revenue in the district-wide financial statements.	4,247,382
Unused leave is accrued in the district-wide financial statements, whereas in the fund financial statements, an expenditure for unused leave is reported when due.	(1,344,475)
Interest is accrued on outstanding debt in the district-wide financial statements, whereas in the fund financial statements, an interest expenditure is reported when due.	(1,078,014)
Discount on the issuance of bonds reported as net other financing uses on the fund financial statements is capitalized and amortized in the district-wide financial statements.	79,152
Premium on the issuance of bonds reported as net other financing sources on the fund financial statements is capitalized and amortized in the district-wide financial statements.	(92,571,829)
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.	49,813,483
Included in the items related to debt is the recognition of the District's proportionate share of the TRS net pension liability (\$86,527,634) and a deferred inflow of resources (\$14,336,858), and a deferred outflow of resources (\$42,070,365). The result is a decrease in net position.	<u>(58,794,127)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 286,507,221</u>

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

Mesquite Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended August 31, 2017

Data Control Codes		10 General Fund	24 Food Service	50 Debt Service Fund
REVENUES				
5700	Local and intermediate sources	\$ 81,681,578	\$ 3,308,334	\$ 29,570,513
5800	State program revenues	264,460,611	309,196	21,922,615
5900	Federal program revenues	3,720,968	18,022,416	-
5020	Total revenues	<u>349,863,157</u>	<u>21,639,946</u>	<u>51,493,128</u>
EXPENDITURES				
CURRENT:				
0011	Instruction	203,626,500	-	-
0012	Instructional resources and media services	5,808,044	-	-
0013	Curriculum and staff development	3,434,674	-	-
0021	Instructional leadership	6,031,538	-	-
0023	School leadership	17,824,236	-	-
0031	Guidance, counseling, and evaluation services	13,958,040	-	-
0032	Social work services	217,140	-	-
0033	Health services	3,633,255	-	-
0034	Student transportation	5,533,277	-	-
0035	Food service	1,220,182	20,405,215	-
0036	Extracurricular activities	9,705,575	-	-
0041	General administration	7,907,329	-	-
0051	Plant maintenance and operations	33,739,387	-	-
0052	Security and monitoring services	3,408,241	-	-
0053	Data processing services	8,230,436	-	-
0061	Community services	112,287	-	-
DEBT SERVICE:				
0071	Principal on long-term debt	-	-	29,284,996
0072	Interest on long-term debt	-	-	19,582,868
0073	Bond issuance costs and fees	-	-	367,038
CAPITAL OUTLAY				
0081	Facilities acquisition and construction	13,343,932	-	-
INTERGOVERNMENTAL:				
0095	Payments to juvenile justice alternative Ed. Prg	85,308	-	-
0097	Payments to tax increment fund	3,416,856	-	-
0099	Other intergovernmental expenditures	344,842	-	-
6030	Total expenditures	<u>341,581,079</u>	<u>20,405,215</u>	<u>49,234,902</u>
1100	Excess (deficiency) of revenues over expenditures	<u>8,282,078</u>	<u>1,234,731</u>	<u>2,258,226</u>
OTHER FINANCING SOURCES (USES) :				
7901	Refunding bonds issued	-	-	12,803,008
7911	Capital-related debt issued (regular bonds)	-	-	-
7912	Sale of real or personal property	34,051	-	-
7915	Transfers in	391,200	48,915	-
7916	Premium or discount on issuance of bonds	-	-	11,071,275
7949	Other resources	40	-	4
8911	Transfers out	(766,611)	(391,200)	-
8940	Payment to refund bonds	-	-	(23,625,401)
7080	Total other financing sources (uses)	<u>(341,320)</u>	<u>(342,285)</u>	<u>248,886</u>
1200	Net change in fund balances	7,940,758	892,446	2,507,112
0100	Fund balances--beginning	<u>112,402,842</u>	<u>5,103,143</u>	<u>15,079,283</u>
3000	Fund balances--ending	<u>\$ 120,343,600</u>	<u>\$ 5,995,589</u>	<u>\$ 17,586,395</u>

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

60 Capital Projects	Non-Major Governmental Funds	98 Total Governmental Funds
\$ 1,401,827	\$ 932,618	\$ 116,894,870
-	3,732,358	290,424,780
-	18,927,435	40,670,819
<u>1,401,827</u>	<u>23,592,411</u>	<u>447,990,469</u>
-	20,386,230	224,012,730
-	82,011	5,890,055
-	1,247,813	4,682,487
-	566,465	6,598,003
-	145,033	17,969,269
-	887,036	14,845,076
-	248,200	465,340
-	65,523	3,698,778
-	-	5,533,277
-	-	21,625,397
-	3,719	9,709,294
410,331	-	8,317,660
-	284	33,739,671
-	1,430	3,409,671
-	-	8,230,436
-	360,203	472,490
-	-	29,284,996
-	-	19,582,868
1,493,881	-	1,860,919
95,380,985	-	108,724,917
-	-	85,308
-	-	3,416,856
-	-	344,842
<u>97,285,197</u>	<u>23,993,947</u>	<u>532,500,340</u>
<u>(95,883,370)</u>	<u>(401,536)</u>	<u>(84,509,871)</u>
-	-	12,803,008
174,725,000	-	174,725,000
-	-	34,051
-	430,062	870,177
24,843,596	-	35,914,871
404,601	-	404,645
-	-	(1,157,811)
-	-	(23,625,401)
<u>199,973,197</u>	<u>430,062</u>	<u>199,968,540</u>
104,089,827	28,526	115,458,669
89,605,379	397,428	222,588,075
<u>\$ 193,695,206</u>	<u>\$ 425,954</u>	<u>\$ 338,046,744</u>

Mesquite Independent School District
 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, 2017

Exhibit C-4

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 115,458,669
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.	(233,282)
Current year capital outlays are expenditures in the governmental fund financial statements, but they are shown as an increase in capital assets in the district-wide financial statements.	122,275,294
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources.	(31,771,233)
Current year bond proceeds are other financing sources in the governmental fund financial statements, but are shown as increases in long-term debt in the district-wide financial statements.	(187,528,008)
Current year long-term debt principal payments on bonded debt are expenditures in the governmental fund financial statements, but are shown as reductions in long-term debt in the district-wide financial statements.	29,284,996
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-wide financial statements.	12,803,942
Unused leave is accrued in the district-wide financial statements, whereas in the fund financial statements an expenditure for unused leave is reported when due. This amount represents the change from prior year.	114,803
Current year change in the accretion on capital appreciation bonds is not reflected in the governmental fund financial statements, but is shown as an decrease in accreted interest on the district-wide financial statements.	(4,753,362)
Interest is accrued on outstanding debt in the district-wide financial statements, whereas in the governmental fund financial statements an interest expenditure is reported when due. This amount represents the current year change in accrued interest.	(381,931)
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 \$6,854,937 and bond discounts (\$148,088) was to increase net position.	6,710,849
Amortization of deferred loss on refunding amount is not recognized in the governmental funds. The effect of recording current year's addition of \$12,192,436 and amortization of (\$3,774,224) is to increase net position.	8,418,212
Current year additions to premium on bonds are reflected in the governmental fund financial statements as other sources, but are shown as a decrease in net position.	(35,914,871)
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.	(10,278)
Revenue 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.	37,089
The net change in net pension liability, deferred outflows, 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 governmental funds. The net change consists of an decrease in deferred outflows (\$4,674,513); decrease in deferred inflows (\$2,100,092); and increase in net pension liability (\$2,939,591).	(5,514,012)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 28,996,877</u>

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

Mesquite Independent School District
 Statement Of Net Position
 Proprietary Funds
 August 31, 2017

Exhibit D-1

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 6,392,835
Inventory	173,200
Due from other funds	26,459
Other current assets	9,758
	<hr/>
Total assets	6,602,252
	<hr/>
CURRENT LIABILITIES:	
Accounts payable	56,255
Due to other funds	2,695,749
Accrued expenses	696,179
	<hr/>
Total liabilities	3,448,183
	<hr/>
NET POSITION	
Unrestricted	3,154,069
	<hr/>
Total net position	\$ 3,154,069
	<hr/> <hr/>

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

Statement Of Revenues, Expenses, And Changes In Net Position
Proprietary Funds
For The Year Ended August 31, 2017

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES:	
Charges for services	\$ 5,433,242
Total operating revenues	5,433,242
OPERATING EXPENSES:	
Personal services	1,409,950
Contractual services	63,011
Other supplies and expenses	3,591,246
Insurance claims and expenses	796,284
Other operating costs	100,279
Total operating expenses	5,960,770
Operating loss	(527,528)
NONOPERATING REVENUES:	
Earnings from temporary deposits and investments	6,612
Total nonoperating revenue	6,612
TRANSFERS IN	287,634
Change in net position	(233,282)
Total net position—beginning	3,387,351
Total net position—ending	\$ 3,154,069

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

Mesquite Independent School District
 Statement Of Cash Flows
 Proprietary Funds
 For The Year Ended August 31, 2017

Exhibit D-3

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from transactions with other funds	\$ 5,551,908
Payments to suppliers	(3,603,141)
Payments to employees	(1,472,961)
Claims paid	(796,284)
	<u>(320,478)</u>
Net cash used in operating activities	
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	<u>287,634</u>
Net cash provided by non-capital financing activities	<u>287,634</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	<u>6,612</u>
Net cash provided by investing activities	<u>6,612</u>
Net decrease in cash and cash equivalents	(26,232)
Balances—beginning of the year	<u>6,419,067</u>
Balances—end of the year	<u>\$ 6,392,835</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (527,528)
Effect of increases and decreases in current assets and liabilities:	
Decrease in inventory	64,452
Decrease in other receivables	201,488
Decrease in interfund receivables	(82,822)
Decrease in accounts payable	(8,524)
Decrease in accrued expenses	32,456
Net cash used in operating activities	<u>\$ (320,478)</u>

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

Mesquite Independent School District
Statement of Fiduciary Fund Net Position
Fiduciary Funds
August 31, 2017

Exhibit E-1

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 144,658	\$ 2,967,574
Due from other funds	-	35,552
Total assets	<u>\$ 144,658</u>	<u>\$ 3,003,126</u>
LIABILITIES		
Accounts payable	\$ 600	\$ -
Due to other funds	2,000	2,215,086
Due to student groups	-	788,040
Total liabilities	<u>\$ 2,600</u>	<u>\$ 3,003,126</u>
NET POSITION		
Unrestricted net position	<u>142,058</u>	
Total net position and liabilities	<u><u>\$ 144,658</u></u>	

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

Mesquite Independent School District
 Statement of Changes in Fiduciary Fund Net Position
 Fiduciary Funds
 For the Year Ended August 31, 2017

Exhibit E-2

	Private Purpose Trust Funds
ADDITIONS	
Local and intermediate sources	\$ 18,639
Total additions	<u>18,639</u>
DEDUCTIONS	
Supplies and materials	1,441
Other operating costs	<u>22,789</u>
Total deductions	<u>24,230</u>
Change in net position	<u>(5,591)</u>
Net position September 1 (Beginning)	<u>147,649</u>
Net position August 31 (Ending)	<u><u>\$ 142,058</u></u>

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Mesquite Independent School District

Notes to the Financial Statements

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.

A. 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.

B. 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 Mesquite Independent School District's nonfiduciary 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 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.

All interfund transactions between governmental funds and proprietary funds are eliminated on the district-wide statements. Interfund activities between governmental funds and fiduciary funds remain as payables/receivables on the district-wide statement of activities.

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.

Mesquite Independent School District

Notes to the Financial Statements

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.

C. 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.

D. 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.

Mesquite Independent School District

Notes to the Financial Statements

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.

E. 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.

F. Interfund Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

G. 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.

Mesquite Independent School District

Notes to the Financial Statements

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.

H. 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.

I. 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.

J. 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

Mesquite Independent School District

Notes to the Financial Statements

K. 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.

L. 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.

M. 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.

Mesquite Independent School District

Notes to the Financial Statements

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.

N. 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.

Mesquite Independent School District

Notes to the Financial Statements

Encumbrances outstanding at August 31, 2017 that were provided for in the subsequent year's budget are:

General fund	\$	3,250,323
Non-major special revenue		158,368
Major special revenue		703,869
Capital project funds		13,936,567
Total	\$	18,049,127

O. 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.

P. 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, 2017 will change.

Q. Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 8, 2018, the date the financial statements were available to be issued.

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, 2017, the carrying amount of the District's cash deposits held at the depository bank was \$4,188,923 and the bank balance was \$7,473,368. The District's cash deposits at August 31, 2017 and during the year ended August 31, 2017 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:

- a. Depository: Prosperity Bank.

Mesquite Independent School District

Notes to the Financial Statements

- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$138,147,340.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$30,327,182 and occurred during the month of September 2016.
- d. 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:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment 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 investment 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.

Mesquite Independent School District

Notes to the Financial Statements

- 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's investments are 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:

Investment Type	August 31, 2017	Fair Value Measurements Using			Percent of Total Investments	Weighted Average Maturity (Days)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Investments Measured at Amortized Cost:						
Investment Pools:						
TexPool	\$ 55,780,967	\$ -	\$ -	\$ -	15%	30 days
Investments Measured at Net Asset Value (NAV), Fair Value:						
Texstar	22,792,286	-	-	-	6%	33 days
Lonestar	43,574,748	-	-	-	12%	22 days
Investments by Fair Value level:						
Certificates of Deposit	13,644,634	13,644,634	-	-	3%	309 days
Commercial Paper	104,981,132	104,981,132	-	-	28%	117 days
U.S. Government Obligations	127,621,800	127,621,800	-	-	35%	283 days
Investment Derivative Instrument						
Interest rate swap	(5,441,544)	-	(5,441,544)	-		
Total value	\$ 362,954,023	\$ 246,247,566	\$ (5,441,544)	\$ -		

Investment Pools are measured at amortized cost and are exempt for fair value reporting.

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.

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.

Mesquite Independent School District

Notes to the Financial Statements

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 the 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.

TEXSTAR: 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.

Cash and investments as of August 31, 2017 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 123,254,250
Current investments	219,746,805
Long-term investments	26,500,763
Fiduciary funds:	
Cash and cash equivalents	<u>3,112,232</u>
Total cash and investments	<u>\$ 372,614,050</u>

Cash and investments as of August 31, 2017 consist of the following:

Cash on hand	\$ 29,560
Deposits with financial institutions	4,188,923
Investments	<u>368,395,567</u>
Total cash and investments	<u>\$ 372,614,050</u>

A. 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.

Mesquite Independent School District

Notes to the Financial Statements

As of August 31, 2017, the District had the following investments:

Investment Type		Weighted Average Maturity
U.S. Government Obligations	\$ 127,621,800	283 days
Certificates of Deposit	13,644,634	309 days
Commercial Paper	104,981,132	117 days
Investment Pool -LoneStar	43,574,748	22 days
Investment Pool -TexPool	55,780,967	30 days
Investment Pool -Texstar	22,792,286	33 days
Total	\$ 368,395,567	

As of August 31, 2017 the District did not invest in any securities which are highly sensitive to interest rate fluctuations.

B. 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, 2017 for each investment type.

Investment Type		Minimum Legal Rating	Rating as of Year End
U.S. Government Obligations	\$ 127,621,800	N/A	N/A
Certificates of Deposit	13,644,634	N/A	N/A
Commercial Paper	104,981,132	N/A	N/A
Investment Pool -LoneStar	43,574,748	N/A	AAA
Investment Pool -TexPool	55,780,967	N/A	AAAm
Investment Pool -Texstar	22,792,286	N/A	AAAm
Total	\$ 368,395,567		

C. 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, 2017, the District held 34% of their portfolio in certificates of deposit and 35% in U.S. government obligations. 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.

D. 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.

Mesquite Independent School District

Notes to the Financial Statements

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, 2017, the District deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

Note 3. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2017, 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.

	General Fund	Food Service Fund	Non-Major Special Revenue Funds	Total
State entitlement	\$ 1,663,127	\$ -	\$ -	\$ 1,663,127
State grants	-	-	112,452	112,452
Federal grants	39,340	386,606	5,288,843	5,714,789
	<u>\$ 1,702,467</u>	<u>\$ 386,606</u>	<u>\$ 5,401,295</u>	<u>\$ 7,490,368</u>

Mesquite Independent School District

Notes to the Financial Statements

Note 4. Other Receivables

Other receivables as of August 31, 2017, for the District's individual major funds and internal service funds in the aggregate are as follows:

	General Fund	Capital Project Fund	Non-Major Governmental Funds	Internal Service Funds	Total
City crossing guard	\$ 201,515	\$ -	\$ -	\$ -	\$ 201,515
Time Warner	451,334	-	-	-	451,334
Cedar Valley Community College	17,096	-	-	-	17,096
Scoreboard	8,000	-	-	-	8,000
Refunds/miscellaneous	49,074	39,466	19	-	88,559
Masters reimbursement	13,367	-	-	-	13,367
	<u>\$ 740,386</u>	<u>\$ 39,466</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ 779,871</u>

District-wide other receivables includes \$2,217,086 due to the Agency Funds, as these funds are not presented as part of the District's operations.

Note 5. Interfund Receivables, Payables and Transfers

Interfund balances at August 31, 2017 consisted of the following individual fund receivables and payables:

Due to Fund	Due from Fund	Amount
General Funds	Internal Service	\$ 2,695,749
General Funds	Major Special Revenue	295,883
General Funds	Non-major Special Revenue	5,164,507
General Funds	Trust and Agency	2,217,086
Capital Projects	General Funds	1,228,858
Capital Projects	Debt Service	3,361
Non-major Special Revenue	General Funds	375,997
Trust and Agency	General Funds	33,043
Trust and Agency	Non-major Special Revenue	2,509
Debt Service	General Funds	4,500
Internal Service	General Funds	26,459
		<u>\$ 12,047,952</u>

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

Mesquite Independent School District

Notes to the Financial Statements

Interfund transfers for the year ended August 31, 2017 were as follows:

Transfer From	Transfer To	Amount	Reason
General	Food Service	\$ 48,915	Food Service Transfer
General	Internal Service	287,634	Internal Service Transfer
Food Service	General	391,200	Food Service Transfer
General	Non-Major Governmental	430,062	RDSD Member District Share Transfer
		<u>\$ 1,157,811</u>	

Note 6. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2017, was as follows:

Governmental Activities:	Primary Government				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Non-depreciable assets					
Land	\$ 16,265,561	\$ 354,704	\$ -	\$ -	\$ 16,620,265
Construction in progress	46,441,045	102,861,750	-	(28,022,374)	121,280,421
Total non-depreciable assets	<u>62,706,606</u>	<u>103,216,454</u>	<u>-</u>	<u>(28,022,374)</u>	<u>137,900,686</u>
Depreciable assets					
Buildings and improvements	668,790,755	-	(8,578)	28,022,374	696,804,551
Furniture and equipment	149,000,835	19,058,840	(667,717)	4,159,457	171,551,415
Furniture and equipment - leased	4,159,457	-	-	(4,159,457)	-
Total depreciable assets	<u>821,951,047</u>	<u>19,058,840</u>	<u>(676,295)</u>	<u>28,022,374</u>	<u>868,355,966</u>
Less accumulated depreciation for:					
Buildings and improvements	256,154,041	16,648,313	(60)	-	272,802,294
Furniture and equipment	99,043,845	15,122,920	(665,957)	-	113,500,808
Total accumulated depreciation	<u>355,197,886</u>	<u>31,771,233</u>	<u>(666,017)</u>	<u>-</u>	<u>386,303,102</u>
Total capital assets, net	<u>\$ 529,459,767</u>	<u>\$ 90,504,061</u>	<u>\$ (10,278)</u>	<u>\$ -</u>	<u>\$ 619,953,550</u>

Mesquite Independent School District

Notes to the Financial Statements

Depreciation expense was charged to governmental functions as follows:

Governmental Function	Depreciation
Instruction	21,350,149
Instructional resources and media services	506,259
Curriculum development and instructional staff development	323,769
Instructional leadership	664,860
School leadership	1,898,461
Guidance, counseling and evaluation services	1,488,697
Social work services	49,665
Health services	384,954
Student (pupil) transportation	414,934
Food services	1,020,922
Cocurricular/extracurricular activities	418,378
General administration	615,232
Plant maintenance and operations	1,836,880
Security and monitoring service	182,243
Data processing services	539,056
Community services	35,363
Construction	41,411
Total depreciation expense	\$ 31,771,233

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
Tax revenue	\$ 3,144,703	\$ -	\$ 1,102,679	\$ -	\$ 4,247,382
Total unavailable	<u>\$ 3,144,703</u>	<u>\$ -</u>	<u>\$ 1,102,679</u>	<u>\$ -</u>	<u>\$ 4,247,382</u>
Cheerleader receipts	\$ 195,553	\$ -	\$ -	\$ -	\$ 195,553
Athletic ticket sales	4,045	-	-	-	4,045
State grant awards	-	-	-	16,815	16,815
Prepaid PAMS	-	184,316	-	-	184,316
Total unearned	<u>\$ 199,598</u>	<u>\$ 184,316</u>	<u>\$ -</u>	<u>\$ 16,815</u>	<u>\$ 400,729</u>

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

Mesquite Independent School District

Notes to the Financial Statements

Note 8. Long-Term Debt

A. 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 three 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 increase on these bonds during the current year in the net amount of \$4,753,362.

Unlimited tax bonds outstanding as of August 31, 2017 are as follows:

Purpose and Lawful Authority	Interest Rate	Final Maturity	Amount of Original Issue	Amounts Outstanding 08/31/17
Unlimited Tax School Building Bonds, Series 2000	4.45 to 6.00%	2021	\$ 40,000,000	\$ 9,755,000
Unlimited Tax School Building Bonds, Series 2003A	4.46%	2029	30,000,000	28,670,000
Unlimited Tax School Building and Refunding Bonds, Series 2008	3.00 to 4.00%	2019	13,090,000	1,310,000
Unlimited Tax School Building Bonds, Series 2009	2.50 to 4.63%	2033	24,735,000	1,915,000
Unlimited Tax School Building Bonds, Series 2010-A	2.00 to 5.00%	2035	45,965,000	13,655,000
Unlimited Tax Refunding Bonds, Series 2010-B	2.25 to 5.00%	2025	27,978,394	14,295,000
Unlimited Tax Refunding Bonds, Series 2012	2.00 to 5.00%	2031	36,409,259	29,599,259
Unlimited Tax Refunding Bonds, Series 2013	3.00 to 3.50%	2026	8,760,000	8,680,000
Unlimited Tax School Building Bonds, Series 2014-A	2.5 to 5.00%	2025	24,045,000	20,635,000
Unlimited Tax Refunding Bonds, Series 2014-B	2.00 to 5.00%	2030	54,200,000	22,330,000
Unlimited Tax School Building Bonds, Series 2015-A	2.00 to 4.00%	2026	27,020,000	23,280,000
Unlimited Tax Refunding Bonds, Series 2015-B	2.00 to 4.00%	2031	21,309,996	20,290,000
Unlimited Tax Refunding Bonds, Series 2015-C	2.00 to 5.00%	2032	27,496,135	27,266,135
Unlimited Tax Refunding Bonds, Series 2015-D	4.00 to 5.00%	2031	27,068,535	24,525,000
Unlimited Tax School Building Bonds, Series 2015-E	3.00 to 5.00%	2038	71,870,000	71,870,000
Unlimited Tax Refunding Bonds, Series 2016-A	2.00 to 5.00%	2033	16,890,000	16,890,000
Unlimited Tax Refunding Bonds, Series 2016-B	4.00 to 5.00%	2035	22,270,000	22,270,000
Unlimited Tax School Building Bonds, Series 2016-C	2.00 to 5.00%	2042	91,375,000	91,375,000
Unlimited Tax Refunding Bonds, Series 2017-A	3.00 to 5.00%	2032	12,803,008	12,803,008
Unlimited Tax School Building Bonds, Series 2017-B	3.00 to 5.00%	2042	88,350,000	83,350,000
Total bonded debt principal payable				<u><u>\$ 544,763,402</u></u>

Mesquite Independent School District

Notes to the Financial Statements

B. 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 \$30 million matches the \$30 million variable-rate bonds. 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 0.79% at August 31, 2017.

Because interest rates have declined since execution of the swap, the swap had a negative fair value of \$5,441,544 as of August 31, 2017. 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, 2017, 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 rated A+ by Fitch Ratings, A- by Standard & Poor's and A3 by Moody's Investor Service as of August 31, 2017. 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.

Mesquite Independent School District

Notes to the Financial Statements

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, 2017		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
2003-A Swap					
(Cash flow hedge)	Deferred outflow	\$ 1,892,449	Debt	\$ (5,441,544)	\$ 28,670,000

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

C. Debt Service Requirements

Debt service requirements are as follows:

Year Ending August 31	Variable - Rate Bonds			Total Requirements
	Principal	Interest	Interest Rate Swaps, Net	
2018	\$ 135,000	\$ 1,051,616	\$ 226,493	\$ 1,413,109
2019	2,315,000	1,046,664	225,426	3,587,090
2020	2,420,000	961,750	207,138	3,588,888
2021	2,520,000	872,984	188,020	3,581,004
2022	2,630,000	780,550	168,112	3,578,662
2023-2027	14,930,000	2,372,279	510,933	17,813,212
2028-2031	3,720,000	148,371	31,955	3,900,326
	<u>\$ 28,670,000</u>	<u>\$ 7,234,214</u>	<u>\$ 1,558,077</u>	<u>\$ 37,462,291</u>

Debt service requirements to maturity are as follows (excluding maturities on the 2003-A issue, which is reflected above):

Year Ending August 31	General Obligation		Total Requirements
	Principal	Interest	
2018	\$ 26,260,260	\$ 24,594,231	\$ 50,854,491
2019	20,483,375	26,672,080	47,155,455
2020	21,125,378	26,176,927	47,302,305
2021	16,801,113	25,186,142	41,987,255
2022	15,663,707	24,527,498	40,191,205
2023-2027	98,197,706	90,218,369	188,416,075
2028-2032	122,906,863	63,882,450	186,789,313
2033-2037	97,625,000	35,347,188	132,972,188
2038-2042	97,030,000	12,730,149	109,760,149
	<u>\$ 516,093,402</u>	<u>\$ 329,335,034</u>	<u>\$ 845,428,436</u>

Mesquite Independent School District

Notes to the Financial Statements

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, 2017.

D. Current Debt Issuances

In prior years and the current year, 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, 2017, \$48,640,000 of bonds considered defeased are still outstanding.

During the year ended August 31, 2017, the District issued \$12,803,008 of Unlimited Tax Refunding Bonds plus a premium of \$11,071,275. Of these amounts, \$23,625,401 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. The reacquisition price exceeded the carrying amount of the refunded debt by \$12,192,436. This amount is being amortized over the remaining life of the debt and is classified as a deferred outflow of resources. This advanced refunding was undertaken to reduce total debt service payments through the year 2032 by \$5,283,376 and resulted in a gross economic gain of \$3,995,892. The District also issued \$174,725,000 in Unlimited School Building Bonds plus a premium of \$24,843,596.

Changes in Long-Term Liabilities:

	Beginning Balance	Additions	Refunded/ Reductions	Ending Balance	Due Within One Year
Government activities					
Bonded debt payable	\$ 399,324,332	\$ 187,528,008	\$ (42,088,938)	\$ 544,763,402	\$ 26,395,260
	399,324,332	187,528,008	(42,088,938)	544,763,402	26,395,260
Net pension liability	83,588,043	2,939,591		86,527,634	-
Accreted interest	25,481,950	14,851,233	(10,097,871)	30,235,312	2,300,593
Premium on bonds	63,511,895	35,914,871	(6,854,937)	92,571,829	-
Bond discount	(223,240)	-	144,088	(79,152)	-
Compensated absences	1,459,278	-	(114,803)	1,344,475	415,878
Long-term liabilities	\$ 573,142,258	\$ 241,233,703	\$ (59,012,461)	\$ 755,363,500	\$ 29,111,731

Compensated absences and capital leases are liquidated in the General Fund and all other long-term liabilities are liquidated in the Debt Service Fund.

Mesquite Independent School District

Notes to the Financial Statements

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
Medicaid and administrative consortium	N/A	\$ 58,619	\$ 58,619
Selective reserve educational assistance	N/A	490,328	490,328
School health and related services	N/A	3,172,021	3,172,021
		\$ 3,720,968	\$ 3,720,968

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 Governmental	Total
Taxes, current	\$ 70,681,305	\$ -	\$ 28,544,340	\$ -	\$ -	\$ 99,225,645
Taxes, prior years	771,878	-	273,207	-	-	1,045,085
Penalties and interest	836,504	-	330,987	-	-	1,167,491
Investment earnings	1,278,642	37,207	421,979	1,381,627	-	3,119,455
Insurance recovery	1,896,755	-	-	-	-	1,896,755
Tuition from patrons	301,379	-	-	-	-	301,379
Athletic activities	809,620	-	-	-	-	809,620
Rent	603,823	-	-	-	-	603,823
Food service activities	120,199	3,159,060	-	-	-	3,279,259
Gifts and bequests	163,839	-	-	-	239,836	403,675
Extra/cocurricular	2,905,256	-	-	-	-	2,905,256
Other	1,312,378	112,067	-	20,200	692,782	2,137,427
	\$ 81,681,578	\$ 3,308,334	\$ 29,570,513	\$ 1,401,827	\$ 932,618	\$ 116,894,870

Note 11. Defined Benefit Pension Plan

A. 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.

Mesquite Independent School District

Notes to the Financial Statements

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.

B. 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_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

C. 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.

D. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for Plan fiscal years 2015 and 2016.

Contribution Rates

	<u>2015</u>	<u>2016</u>
Member	7.2%	7.2%
Non-Employer Contributing Entity (State)	6.7%	6.8%
Employers	6.8%	6.8%

Mesquite Independent School District

Notes to the Financial Statements

2016 Employer Contributions	\$ 7,275,232
2016 Member Contributions	\$ 17,658,310
2016 NECE On-behalf Contributions	\$ 11,521,995

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

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

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

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

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution 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.

E. Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Includes Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

Mesquite Independent School District

Notes to the Financial Statements

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

F. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2016 are summarized below:

	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Hedge Funds (Stable Value)	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked-Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	<u>100.0%</u>		<u>8.7%</u>

*The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

Mesquite Independent School District

Notes to the Financial Statements

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$133,915,629	\$86,527,634	\$46,333,034

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

At August 31, 2016, the District reported a liability of \$83,588,043 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 86,527,634
State's proportionate share that is associated with District	<u>136,764,303</u>
Total	<u><u>\$ 223,291,937</u></u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was .02289787% which was an increase of .00074886% from its proportion measured as of August 31, 2015.

For the year ended August 31, 2016, the District recognized pension expense of \$14,192,873 and revenue of \$14,192,873 for support provided by the State.

Mesquite Independent School District

Notes to the Financial Statements

At August 31, 2016, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 1,356,737	\$ (2,583,665)
Changes in actuarial assumptions	2,637,207	(2,398,431)
Difference between projected and actual investment earnings	16,673,993	(9,347,012)
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	13,680,914	(7,750)
Contributions paid to TRS subsequent to the measurement date	7,721,514	-
	<u>7,721,514</u>	<u>-</u>
Total	<u>\$ 42,070,365</u>	<u>\$ (14,336,858)</u>

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

	Pension Expense
	<u> </u>
Year ended August 31:	
2017	\$ 11,174,807
2018	3,453,293
2019	8,126,799
2020	3,094,216
2021	1,723,080
Thereafter	161,312
	<u>161,312</u>
Total	<u>\$ 27,733,507</u>

Note 12. Retiree Health Plan

A. Plan Description

The Mesquite Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants.

Mesquite Independent School District

Notes to the Financial Statements

The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

B. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2015, 2016 and 2017. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2017, 2016, and 2015, the State's contributions to TRS-Care were \$2,452,543, \$2,338,539, and \$2,250,255, respectively, the active member contributions were \$1,594,153, \$1,520,049, and \$1,462,667, respectively, and the school district's contributions were \$1,348,899, \$1,286,206, and \$1,237,639, respectively, which equaled the required contributions each year. In addition, the State of Texas contributed \$925,963, \$914,495, and \$926,259 in 2017, 2016 and 2015, respectively, for on-behalf payments for Medicare Part D.

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.

A. 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 administered by Blue Cross and Blue Shield of Texas.

During the year ended August 31, 2017, 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.

B. 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.

Mesquite Independent School District

Notes to the Financial Statements

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 \$669,179 and includes incurred but not reported claims. These liabilities reported in the funds at August 31, 2017 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 2017 and 2016 were:

Self-Insurance Liability	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Less: Claim Payments	Balance at Fiscal Year-End
2016 - workers' compensation	\$ 772,761	560,952	669,990	\$ 663,723
2017 - workers' compensation	\$ 663,723	759,733	727,277	\$ 696,179

Note 14. Commitments and Contingencies

A. 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.

B. 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, 2017 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.

C. 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 \$153,243,430 at August 31, 2017.

Mesquite Independent School District

Notes to the Financial Statements

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. Mesquite Independent School District acts as the fiscal agent and provides services for the member districts. The District's expenditures for the year ended August 31, 2017, totaled \$2,287,629. The District is reimbursed by the other member districts for their portion of the expenditures.

Note 16. New Accounting Pronouncements

The GASB issued Statement No. 81, Irrevocable Split-Interest Agreements, which will be effective for periods beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement applies to all state and governmental entities. This standard will become effective for the District in fiscal year 2018. The District has not yet determined the impact of this statement.

The GASB issued Statement No. 82, Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73, which will be effective for periods beginning after June 15, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement applies to all state and governmental entities. This standard became effective for the District in fiscal year 2018. The District has not yet determined the impact of this statement.

The GASB issued Statement No. 85, Omnibus 2017, which will be effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement applies to all state and governmental entities. This standard became effective for the District in fiscal year 2018. The District has not yet determined the impact of this statement.

The GASB issued Statement No. 86, Certain Debt Extinguishment Issues, which will be effective for periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement applies to all state and governmental entities. This standard became effective for the District in fiscal year 2018. The District has not yet determined the impact of this statement.

Required Supplementary Information

Mesquite Independent School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended August 31, 2017

Exhibit F-1

Data Control Codes		Budgeted Amounts		Actual	Variance With
		Original	Final	Amounts GAAP BASIS	Final Budget Under or (Over)
REVENUES					
5700	Local and intermediate sources	\$ 78,406,100	\$ 81,158,000	\$ 81,681,578	\$ 523,578
5800	State program revenues	261,931,700	263,342,200	264,460,610	1,118,410
5900	Federal program revenues	4,080,000	3,874,900	3,720,968	(153,932)
5020	Total revenues	344,417,800	348,375,100	349,863,156	1,488,056
EXPENDITURES					
CURRENT:					
0011	Instruction	211,795,150	209,328,500	203,626,506	5,701,994
0012	Instructional resources and media services	5,873,850	5,991,800	5,808,044	183,756
0013	Curriculum and staff development	4,344,300	3,466,400	3,434,674	31,726
0021	Instructional leadership	6,571,250	6,188,400	6,031,538	156,862
0023	School leadership	18,323,650	18,493,300	17,824,236	669,064
0031	Guidance, counseling, and evaluation service	14,019,150	14,566,800	13,958,040	608,760
0032	Social work services	215,150	226,200	217,140	9,060
0033	Health services	3,873,650	3,791,200	3,633,255	157,945
0034	Student transportation	5,443,500	5,706,200	5,533,277	172,923
0035	Food service	1,270,300	1,277,300	1,220,182	57,118
0036	Extracurricular activities	9,239,550	10,026,100	9,705,575	320,525
0041	General administration	8,389,050	8,178,000	7,907,329	270,671
0051	Plant maintenance and operations	34,454,900	36,127,600	33,739,387	2,388,213
0052	Security and monitoring services	3,581,850	3,805,200	3,408,241	396,959
0053	Data processing services	7,408,500	8,800,200	8,230,436	569,764
0061	Community services	103,050	143,500	112,287	31,213
CAPITAL OUTLAY					
0081	Facilities acquisition and construction	4,877,250	13,357,500	13,343,932	13,568
INTERGOVERNMENTAL:					
0095	Payments to juvenile justice alternative ed. pr	100,000	97,200	85,308	11,892
0097	Payments to tax increment fund	3,500,000	3,416,900	3,416,856	44
0099	Other intergovernmental	355,000	344,900	344,842	58
6030	Total expenditures	343,739,100	353,333,200	341,581,085	11,752,115
1100	Excess (deficiency) of revenues over expenditures	678,700	(4,958,100)	8,282,071	13,240,171
OTHER FINANCING SOURCES (USES):					
7912	Sale of real or personal property	80,000	80,000	34,051	(45,949)
7915	Transfers in	400,000	352,600	391,200	38,600
7949	Other (Uses)	-	-	40	40
8911	Transfers out	(600,000)	(888,000)	(766,611)	121,389
7080	Total other financing sources (uses)	(120,000)	(455,400)	(341,320)	114,080
1200	Net change in fund balances	558,700	(5,413,500)	7,940,751	13,354,251
0100	Fund balances--beginning	112,402,842	112,402,842	112,402,842	-
3000	Fund balances--ending	\$ 112,961,542	\$ 106,989,342	\$ 120,343,593	\$ 13,354,251

Mesquite Independent School District
 Budgetary Comparison Schedule
 Food Service Fund
 For the Year Ended August 31, 2017

Exhibit F-2

Data Control Codes	Budgeted Amounts		Actual Amounts GAAP BASIS	Variance With Final Budget Under or (Over)	
	Original	Final			
REVENUES					
5700	Local and intermediate sources	\$ 3,328,800	\$ 3,297,300	\$ 3,308,334	\$ 11,034
5800	State program revenues	395,600	399,900	309,196	(90,704)
5900	Federal program revenues	19,387,900	18,268,600	18,022,416	(246,184)
5020	Total revenues	<u>23,112,300</u>	<u>21,965,800</u>	<u>21,639,946</u>	<u>(325,854)</u>
EXPENDITURES					
CURRENT:					
0035	Food service	<u>23,085,000</u>	<u>22,015,800</u>	<u>20,405,215</u>	<u>1,610,585</u>
6030	Total expenditures	<u>23,085,000</u>	<u>22,015,800</u>	<u>20,405,215</u>	<u>1,610,585</u>
OTHER FINANCING SOURCES (USES):					
7915	Transfers in	-	-	48,915	(48,915)
8911	Transfers out	<u>(350,000)</u>	<u>50,000</u>	<u>(391,200)</u>	<u>441,200</u>
7080	Total other financing sources (uses)	<u>(350,000)</u>	<u>50,000</u>	<u>(342,285)</u>	<u>392,285</u>
1200	Net change in fund balances	(322,700)	-	892,446	892,446
0100	Fund balances--beginning	<u>5,103,143</u>	<u>5,103,143</u>	<u>5,103,143</u>	-
3000	Fund balances--ending	<u>\$ 4,780,443</u>	<u>\$ 5,103,143</u>	<u>\$ 5,995,589</u>	<u>\$ 892,446</u>

Mesquite Independent School District
Schedule of the District's Proportionate
Share of the Net Pension Liability – TRS
For the Year Ended August 31, 2017

Exhibit F-3

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.02289787%	0.02364673%	0.01668410%
District's Proportionate Share of Net Pension Liability	\$ 86,527,634	\$ 83,588,043	\$ 44,565,618
States Proportionate Share of the Net Pension Liability associated with the District	136,764,303	131,061,596	111,712,185
Total	\$ 223,291,937	\$ 214,649,639	\$ 156,277,803
District's Covered Employee Payroll	233,853,900	225,025,506	216,195,466
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll	37%	37%	21%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.00%	78.43%	83.25%

Note: GASB 68, 81, 2, a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2016 - the period from September 1, 2015 - August 31, 2016.

Note: Ten years of data not available

Mesquite Independent School District
 Schedule of the District's Contributions – TRS
 For the Year Ended August 31, 2017

Exhibit F-4

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 3,257,314	\$ 2,995,797	\$ 2,902,999
Contribution in Relation to the Contractually Required Contribution	<u>(3,257,314)</u>	<u>(2,995,797)</u>	<u>(2,902,999)</u>
Contribution Deficiency (Excess)	-	-	-
District's Covered Employee Payroll	\$ 245,254,302	\$ 233,853,857	\$ 225,025,506
Contributions as a percentage of Covered Employee Payroll	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 covered by the measurement date of September 1, 2015 - August 31, 2016.

Note: Ten years of data not available

Mesquite Independent School District

Notes To The Required Supplementary Information

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. This 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:

<u>Function</u>	<u>Increase (Decrease)</u>
Revenue:	
Local Revenues	\$ (2,751,900)
State Revenues	(1,410,500)
Expense:	
Instruction	(2,466,650)
Plant Maintenance and Operations	1,672,700
Data Processing Services	1,391,700
Facilities Acquisition and Construction	8,480,250

4. 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.
5. 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.

Mesquite Independent School District

Notes To The Required Supplementary Information

Note 2. Pension Liability

Changes Since the Prior Actuarial Valuation – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

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Combining Statements and Schedules

Mesquite Independent School District

Combining Balance Sheet
 Nonmajor Governmental Funds
 August 31, 2017

Exhibit G-1

	289	429	499	
	Other Federal	Other State	Local	Total
	Special	Special	Special	Nonmajor
	Revenue	Revenue	Revenue	Governmental
	Funds	Funds	Funds	Funds
ASSETS				
Due from other governments	\$ 5,288,843	\$ 112,452	\$ -	\$ 5,401,295
Due from other funds	-	152,543	223,454	375,997
Other receivables	19		-	19
	<u>5,288,862</u>	<u>264,995</u>	<u>223,454</u>	<u>5,777,311</u>
Total assets	<u>\$ 5,288,862</u>	<u>\$ 264,995</u>	<u>\$ 223,454</u>	<u>\$ 5,777,311</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 113,984	\$ 43,836	\$ 1,844	\$ 159,664
Accrued wages payable	7,862	-	-	7,862
Due to other funds	5,167,016	-	-	5,167,016
Unearned revenues	-	16,815	-	16,815
	<u>5,288,862</u>	<u>60,651</u>	<u>1,844</u>	<u>5,351,357</u>
Total liabilities	<u>5,288,862</u>	<u>60,651</u>	<u>1,844</u>	<u>5,351,357</u>
Fund balances				
Restricted				
State Special Revenue	-	204,344	-	204,344
Committed				
Local Special Revenue	-	-	221,610	221,610
	<u>-</u>	<u>204,344</u>	<u>221,610</u>	<u>425,954</u>
Total fund balances	<u>-</u>	<u>204,344</u>	<u>221,610</u>	<u>425,954</u>
Total liabilities and fund balances	<u>\$ 5,288,862</u>	<u>\$ 264,995</u>	<u>\$ 223,454</u>	<u>\$ 5,777,311</u>

Mesquite Independent School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended August 31, 2017

Exhibit G-2

	289	429	499	
	Other Federal	Other State	Local	Total
	Special	Special	Special	Nonmajor
	Revenue	Revenue	Revenue	Governmental
	Funds	Funds	Funds	Funds
REVENUES				
Total local and intermediate sources	\$ -	\$ -	\$ 932,618	\$ 932,618
State program revenues	-	3,732,358	-	3,732,358
Federal program revenues	18,927,435	-	-	18,927,435
Total revenues	<u>18,927,435</u>	<u>3,732,358</u>	<u>932,618</u>	<u>23,592,411</u>
EXPENDITURES				
Current:				
11 Instruction	15,798,010	3,643,501	944,719	20,386,230
12 Instructional resources and media services	76,654	118	5,239	82,011
13 Curriculum and staff development	1,231,920	3,534	12,359	1,247,813
21 Instructional leadership	301,023	-	265,442	566,465
23 School leadership	145,033	-	-	145,033
31 Guidance, counseling, and evaluation services	704,971	92,453	89,612	887,036
32 Social work services	248,200	-	-	248,200
33 Health services	65,523	-	-	65,523
36 Extracurricular activities	1,800	-	1,919	3,719
51 Plant maintenance and operations	284	-	-	284
52 Security and monitoring services	1,430	-	-	1,430
61 Community services	352,587	-	7,616	360,203
Total expenditures	<u>18,927,435</u>	<u>3,739,606</u>	<u>1,326,906</u>	<u>23,993,947</u>
Excess (deficiency) of revenues over expenditures	-	(7,248)	(394,288)	(401,536)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	430,062	430,062
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>430,062</u>	<u>430,062</u>
Net change in fund balances	-	(7,248)	35,774	28,526
Fund balances—beginning	<u>-</u>	<u>211,592</u>	<u>185,836</u>	<u>397,428</u>
 Fund balances—ending	 <u>\$ -</u>	 <u>\$ 204,344</u>	 <u>\$ 221,610</u>	 <u>\$ 425,954</u>

Mesquite Independent School District

Combining Statement of Net Position

Internal Service Funds

August 31, 2017

Exhibit G-3

	781	790	Total
	Employee	Workers	Internal
	Health Center	Compensation	Service fund
	Fund	Fund	
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,147,267	\$ 5,245,568	\$ 6,392,835
Inventory	173,200	-	173,200
Due from other funds	26,459	-	26,459
Other current assets	-	9,758	9,758
	<u>1,346,926</u>	<u>5,255,326</u>	<u>6,602,252</u>
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	55,035	1,220	56,255
Due to other funds	-	2,695,749	2,695,749
Accrued expenses	-	696,179	696,179
	<u>55,035</u>	<u>3,393,148</u>	<u>3,448,183</u>
NET POSITION			
Unrestricted	<u>1,291,891</u>	<u>1,862,178</u>	<u>3,154,069</u>
Total net position	<u>\$ 1,291,891</u>	<u>\$ 1,862,178</u>	<u>\$ 3,154,069</u>

Mesquite Independent School District
Combining Statement of Revenues, Expenses
and Changes in Net Position
Internal Service Funds
For the Year Ended August 31, 2017

Exhibit G-4

	781	790	
	Employee	Workers	Total
	Health Center	Compensation	Internal
	Fund	Fund	Service Fund
OPERATING REVENUES			
Charges for services	\$ 4,333,238	\$ 1,100,004	\$ 5,433,242
Total operating revenues	4,333,238	1,100,004	5,433,242
OPERATING EXPENSES			
Personal services	1,196,611	213,339	1,409,950
Professional and contractual services	47,889	15,122	63,011
Supplies and materials	3,582,976	8,270	3,591,246
Insurance claims and expenses	36,551	759,733	796,284
Other operating costs	7,331	92,948	100,279
Total operating expenses	4,871,358	1,089,412	5,960,770
Operating income (loss)	(538,120)	10,592	(527,528)
NONOPERATING REVENUES			
Earnings from temporary deposits and investments	6,452	160	6,612
Total nonoperating revenue	6,452	160	6,612
INCOME (LOSS) BEFORE TRANSFERS	(531,668)	10,752	(520,916)
Transfers in	287,634	-	287,634
Total transfers	287,634	-	287,634
Change in net position	(244,034)	10,752	(233,282)
Net position—beginning	1,535,925	1,851,426	3,387,351
Net position—ending	\$ 1,291,891	\$ 1,862,178	\$ 3,154,069

Mesquite Independent School District
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended August 31, 2017

Exhibit G-5

	781	790	Total
	Employee	Workers	Internal
	Health Center	Compensation	Service Fund
	Fund	Fund	Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from transactions with other funds	\$ 4,467,424	\$ 1,084,484	\$ 5,551,908
Payments to suppliers	(3,531,737)	(71,404)	(3,603,141)
Payments to employees	(1,244,500)	(228,461)	(1,472,961)
Claims paid	(36,551)	(759,733)	(796,284)
Net cash provided by (used in) operating activities	<u>(345,364)</u>	<u>24,886</u>	<u>(320,478)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	<u>287,634</u>	<u>-</u>	<u>287,634</u>
Net cash provided by non-capital financing activities	<u>287,634</u>	<u>-</u>	<u>287,634</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	<u>6,452</u>	<u>160</u>	<u>6,612</u>
Net cash provided by investing activities	<u>6,452</u>	<u>160</u>	<u>6,612</u>
Net increase (decrease) in cash and cash equivalents	(51,278)	25,046	(26,232)
Balances—beginning of the year	<u>1,198,545</u>	<u>5,220,522</u>	<u>6,419,067</u>
Balances—end of the year	<u><u>\$ 1,147,267</u></u>	<u><u>\$ 5,245,568</u></u>	<u><u>\$ 6,392,835</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (538,120)	\$ 10,592	\$ (527,528)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Decrease in inventory	64,452	-	64,452
Decrease in other receivables	201,488	-	201,488
Increase in interfund receivables	(67,302)	(15,520)	(82,822)
Decrease in accounts payable	(5,882)	(2,642)	(8,524)
Increase in accrued expenses	-	32,456	32,456
Net cash provided by (used in) operating activities	<u><u>\$ (345,364)</u></u>	<u><u>\$ 24,886</u></u>	<u><u>\$ (320,478)</u></u>

Mesquite Independent School District
Combining Statement of Net Position
Private Purpose Trust Funds
August 31, 2017

Exhibit G-6

	806 Meadows O'Donnell Foundation	810 Scholarship Fund	Total Private Purpose Trust Funds
ASSETS			
Cash and cash equivalents	\$ 121	\$ 144,537	\$ 144,658
Total assets	<u>\$ 121</u>	<u>\$ 144,537</u>	<u>\$ 144,658</u>
LIABILITIES			
Accounts payable	\$ -	\$ 600	\$ 600
Due to other funds	-	2,000	2,000
Total liabilities	<u>-</u>	<u>2,600</u>	<u>2,600</u>
NET POSITION			
Unrestricted net position	<u>121</u>	<u>141,937</u>	<u>142,058</u>
Total net position	<u>121</u>	<u>141,937</u>	<u>142,058</u>
Total liabilities and net position	<u>\$ 121</u>	<u>\$ 144,537</u>	<u>\$ 144,658</u>

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, 2017

Exhibit G-7

	806 Meadows O'Donnell Foundation	810 Scholarship Fund	Total Private Purpose Trust Funds
ADDITIONS			
Local and intermediate sources	\$ 1,500	\$ 17,139	\$ 18,639
Total additions	<u>1,500</u>	<u>17,139</u>	<u>18,639</u>
DEDUCTIONS			
Supplies and materials	1,441	-	1,441
Other operating costs	-	22,789	22,789
Total deductions	<u>1,441</u>	<u>22,789</u>	<u>24,230</u>
Changes in net position	<u>59</u>	<u>(5,650)</u>	<u>(5,591)</u>
Net position September 1 (beginning)	<u>62</u>	<u>147,587</u>	<u>147,649</u>
Net position August 31 (ending)	<u><u>\$ 121</u></u>	<u><u>\$ 141,937</u></u>	<u><u>\$ 142,058</u></u>

Required TEA Schedules

Mesquite Independent School District

Schedule of Delinquent Taxes Receivable

Fiscal Year Ended August 31, 2017

Last Ten Years Ended August 31	Tax Rates		3 Net Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2008 and prior years	various	various	\$ various
2009	1.3257	0.3423	6,947,938,555
2010	1.0067	0.3700	6,557,685,613
2011	1.0400	0.36	6,230,166,386
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 (School year under audit)	1.0400	0.4200	7,006,189,277

1000 TOTALS

9000 - Portion of Row 1000 for Taxes Paid

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

Exhibit H-1

10 Beginning Balance 09/01/16	20 Current Year's Total Levy	31 Maintenance Total Collections	32 Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 08/31/17
3,145,882 \$		\$ 116,675	\$ 38,884	(124,891) \$	2,865,430
314,798		18,754	6,492	(12,448)	277,104
360,641		19,979	7,300	(11,971)	321,391
380,574		28,385	10,372	(11,562)	330,255
371,041		40,967	14,969	(4,975)	310,130
446,180		56,544	20,660	6,148	375,124
520,503		71,148	25,312	7,849	431,892
716,569		117,709	41,877	12,371	569,354
1,196,558		301,717	107,341	(126,519)	660,981
-	103,000,459	70,681,301	28,544,338	(2,422,477)	1,352,343
<u>\$ 7,452,746</u>	<u>\$ 103,000,459</u>	<u>\$ 71,453,179</u>	<u>\$ 28,817,545</u>	<u>\$ (2,688,475)</u>	<u>\$ 7,494,004</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,433,925</u>	<u>\$ 982,931</u>	<u>\$ -</u>	<u>\$ -</u>

Mesquite Independent School District
 Budgetary Comparison Schedule
 Debt Service Fund
 For the Year Ended August 31, 2017

Exhibit H-2

Data Control Codes	Budgeted Amounts		Actual Amounts GAAP BASIS	Variance With Final Budget Under or (Over)	
	Original	Final			
REVENUES					
5700	Local and intermediate sources	\$ 28,830,700	\$ 30,205,600	\$ 29,570,513	\$ (635,087)
5800	State program revenues	22,777,400	21,922,700	21,922,615	(85)
5020	Total revenues	51,608,100	52,128,300	51,493,128	(635,172)
EXPENDITURES					
CURRENT:					
DEBT SERVICE:					
0071	Principal on long-term debt	29,285,000	28,942,700	29,284,996	(342,296)
0072	Interest on long-term debt	21,006,000	21,006,000	19,582,868	1,423,132
0073	Bond issuance costs and fees	1,000,000	1,000,000	367,038	632,962
6030	Total expenditures	51,291,000	50,948,700	49,234,902	1,713,798
1100	Excess (deficiency) of revenues over expenditures	317,100	1,179,600	2,258,226	1,078,626
OTHER FINANCING SOURCES (USES) :					
7901	Refunding bonds issued	-	-	12,803,008	(12,803,008)
7916	Premium or discount on issuance of bonds	-	-	11,071,275	(11,071,275)
7949	Other resources	-	249,000	4	248,996
8940	Payment to bond refunding fund	-	-	(23,625,401)	23,625,401
7080	Total other financing sources (uses)	-	249,000	248,886	114
1200	Net change in fund balances	317,100	1,428,600	2,507,112	1,078,512
0100	Fund balances--beginning	15,079,283	15,079,283	15,079,283	-
3000	Fund balances--ending	\$ 15,396,383	\$ 16,507,883	\$ 17,586,395	\$ 1,078,512

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, 2017, 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 8, 2018.

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.

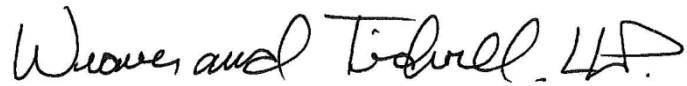
Compliance and Other Matters

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.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Weaver and Tidwell, L.L.P." in a cursive, flowing script.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 8, 2018



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 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 Mesquite Independent School District's major federal programs for the year ended August 31, 2017. Mesquite Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 Mesquite Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, 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 Mesquite Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Mesquite Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

Report on Internal Control Over Compliance

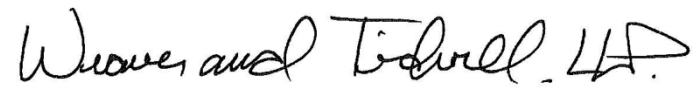
The administration of Mesquite Independent School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mesquite Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 Mesquite Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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. However, we identified a certain deficiency in internal control over compliance that is considered a significant deficiency, as described in the accompanying schedule of findings and questioned costs as item [2017-001].

Management's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Management's response and, accordingly, we express no opinion on it.

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 AND TIDWELL, L.L.P.

Dallas, Texas
January 8, 2018

Mesquite Independent School District
 Schedule of Findings and Questioned Costs
 Year Ended August 31, 2017

I. Summary of the Auditor's Results:

Financial Statements

- a. An unmodified opinion was issued on the financial statements.
- b. Internal control over financial reporting:
 - Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered a material weakness? Yes None Reported
- c. Noncompliance material to financial statements noted Yes No

Major Programs

- d. Internal control over major programs:
 - Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered a material weakness? Yes None Reported
- e. An unmodified opinion was issued on compliance for major programs.
- f. Any audit findings disclosed that were required to be in accordance with Uniform Guidance Yes No
- g. Identification of major programs:

Child Nutrition Cluster	10.553, 10.555
Special Education Cluster	84.027
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$1,124,963
- i. Auditee qualified as a low-risk auditee. Yes No

Mesquite Independent School District
Schedule of Findings and Questioned Costs
Year Ended August 31, 2017

II. 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.

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

Finding 2017-001

10.553, 10.555— Child Nutrition Cluster Department of Agriculture, passed through the State Department of Agriculture

Special Tests and Provisions- Verification — Significant Deficiency in Controls over Compliance and Compliance Finding

Criteria — According to the April 2017 OMB Compliance Supplement, the District must select and verify the required sample of approved free and reduced price applications and make the appropriate changes to eligibility status.

Condition — During our special tests and provisions testing, we identified 21 instances where the original free and reduced applications were lost due to a data breach and improper backup of online submission data. The data breach effected the entire District and required shutting down various systems to protect data. In order to bring the systems back online, data was recovered from a prior date. At that time, it was noted that several sets of data were not being properly backed up according to the control structure implemented by the District's IT department. One of the systems not being properly backed up was the online process for free and reduced price applications. Data related to any original application that was not manually submitted to the District was lost. This breach occurred well after most of the submissions were sampled and verified by the District. Therefore, the likelihood of questioned costs related to this breach is mitigated by the timing.

Likely Questioned Costs — \$-0-

Context — During our review of 40 applications, we noted 21 instances in which the original free and reduced price applications were submitted online and the data related to the original application was lost due to the failure to backup the data files.

Effect — Failure to backup data related to the original free and reduced applications resulted in lost data.

Cause — Not following District policies related to data backup procedures.

Recommendation — We recommend that the District add a review of the backup processes by individuals outside of the department responsible backup procedures.

View of Responsible Officials — See corrective action plan

Mesquite Independent School District
Schedule of Findings and Questioned Costs
Year Ended August 31, 2017

IV. Corrective Action Plan

Finding 2017-001 Special Tests and Provisions- Verification

Responsible Party — Clay Cottles, Director of Technical Services

Management Response — Our network was one of the many systems that fell victim to the worldwide cyber-attack on Friday May 12th. On Monday May 15th we recognized that the Food Services Primero Server was our biggest casualty. The data on this server was encrypted by the virus and none of this data was not recoverable from the server. Unfortunately we did not have scheduled backups running on this system. We were able to recover a large portion of this data from other sources such as the campus serving line registers and skyward. Even though we were able to recover much of the data we realized that to make the Primero Server operational and usable we were basically starting over. Early in the Primero recovery process it was decided that since we are basically starting over it would be the prime time to replace/upgrade the system servers as well as install the latest software. This work also required that all in the field POS computers be upgraded. All of this work was completed in late August.

There were two major issues that allowed this security breach and hampered data recovery efforts. The first issue is that the Primero server was mistakenly left off of the automated software update/patch list. The other issue is that the Primero server had dropped off the automated scheduled back-up list.

Corrective Action —

- All Primero servers and other related equipment has been configured for automated updates and software patches.
- All Primero servers have been configured for automated back-ups. The data is retained in the Primero database for the current and three previous days, and each day's data is copied from the Primero database to the hard drive of our server. That data is backed up nightly through an automated process.
- Updating the Primero server software helped to improve security.
- We are currently working on automating a notification process which will keep key staff informed when back-ups are successfully performed.

Expected Completion Date — January 31, 2018

Mesquite Independent School District
Summary Schedule of Prior Audit Findings
Year Ended August 31, 2017

There were no findings for the year ended August 31, 2016.

Mesquite Independent School District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2017

Exhibit I-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	\$ 490,328
U.S. Department of Education			
Passed Through State Department of Education:			
Carl D. Perkins Basic Formula Grant	84.048	16420006057914	339,408
ESEA Title 1 Part A-Improving Basic Programs	84.010	16610101057914	9,829,039
ESEA Title 1 Part C-Education of Migratory Children	84.011	16615001057950	7,553
Special Education Cluster (IDEA)			
IDEA -Part B, Formula	84.027	166600010579146600	6,923,891
IDEA -Part B, Discretionary (Deaf)	84.027	166600020579146673	209,298
IDEA -Part B, Preschool	84.027	166610010579146610	84,777
Total Special Education Cluster			<u>7,217,966</u>
IDEA -Part C, Early Intervention Deaf	84.181	163911010579143911	2,206
ESEA Title II, Part A	84.367	16694501057950	528,948
Title III - Part A - English Language Acquisitions and Enhancement	84.365	16671001057950	970,384
Grants for State Assessments and Related Activities	84.369	69550902	23,298
Education Jobs	84.410		8,633
Total Passed Through State Department of Education			<u>18,927,435</u>
U.S. Department of Health and Human Services			
Direct Program:			
Medicaid Administrative Claiming Program (MAC)	93.778	N/A	58,619
U.S. Department of Agriculture			
Passed Through State Department of Agriculture:			
Child Nutrition Cluster			
National School Lunch Program - Cash	10.555	71301601	13,111,136
National School Lunch Program - Commodities	10.555	N/A	1,692,845
School Breakfast Program	10.553	71401601	3,166,768
Total Child Nutrition Cluster			<u>17,970,749</u>
Discretionary grants - Equipment	10.579	N/A	51,667
Total Passed Through State Department of Education			<u>18,022,416</u>
Total Federal Assistance			<u>\$ 37,498,798</u>

Mesquite Independent School District

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 and Agency Funds. 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 \$3,172,021, 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.

Mesquite Independent School District

School First Questionnaire (Unaudited)

For the Year Ended August 31, 2017

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	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?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 30,235,312
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 86,527,634
SF13	Pension Expense (6147) at fiscal year-end.	\$ 5,514,012