

Mesquite Independent School District

Annual Financial Report

For The Year Ended August 31, 2019

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Mesquite Independent School District
Annual Financial Report
For The Year Ended August 31, 2019
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Introductory Section

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CERTIFICATE OF BOARD

MESQUITE INDEPENDENT SCHOOL DISTRICT

Dallas

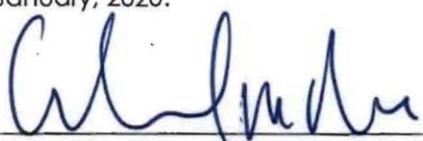
057-914

Name of School District

County

Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2019 at the meeting of the Board of Trustees of such school district on the 13th day of January, 2020.



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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-12, budgetary comparison, net pension liability and net OPEB liability information on pages 66-72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statements and schedules, required TEA schedules, and the School First Questionnaire are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost 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.

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

Board of Trustees
Mesquite Independent School District

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2020, 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.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 10, 2020

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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, 2019. 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 \$165,036,338, unrestricted net position was \$(146,780,885), net investment in capital assets was \$285,144,104, net position restricted for food service was \$7,254,415 and net position restricted for debt service was \$19,418,704.

Fund level statements

- The District's General Fund Balance was \$119,411,826, an increase of \$7,115,813 from the prior year.
- The District's Debt Service Fund Balance was \$24,998,309, an increase of \$2,302,726 from the prior year.
- The District's Capital Projects Fund Balance was \$173,753,366, a decrease of \$53,608,621 from the prior year.
- The District's Food Service Special Revenue Fund Balance was \$7,254,415, an increase of \$100,439 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 13-14 of this report.

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

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

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, capital projects fund, and textbook allotment fund, all five of which are considered to be major funds. Data from the other thirty-two governmental funds are classified as local, state or federal funds and then combined into a single, aggregated presentation. Fund data for these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 15-21 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 22-24 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 25-26. 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 28-63 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 66-74 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 77-83 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 \$165,036,338 as of August 31, 2019.

The District's Net Position

	2019	2018	Difference
Current and other assets	\$ 288,656,316	\$ 327,121,144	\$ (38,464,828)
Capital assets	775,671,069	723,942,223	51,728,846
Long-term investments	93,794,368	91,954,383	1,839,985
Total assets	1,158,121,753	1,143,017,750	15,104,003
Deferred Outflows of Resources	136,532,676	88,945,872	47,586,804
Long-term liabilities outstanding	1,018,571,287	974,264,927	44,306,360
Other liabilities	55,276,711	47,513,696	7,763,015
Total liabilities	1,073,847,998	1,021,778,623	52,069,375
Deferred Inflows of Resources	55,770,093	76,645,329	(20,875,236)
Net position:			
Net investment in capital assets	285,144,104	255,197,139	29,946,965
Restricted	26,673,119	24,132,494	2,540,625
Unrestricted	(146,780,885)	(145,789,963)	(990,922)
Total net position	\$ 165,036,338	\$ 133,539,670	\$ 31,496,668

Governmental activities. The District's total net position increased by \$31,496,768. Although the District reports a deficit for the unrestricted net position, the deficit is primarily due to reporting the District's proportionate share of the net OPEB liability. The total district liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the TRS-Care plan is funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors. The total cost of all governmental activities this year was \$485,632,245. The amount that our taxpayers paid for these activities through property taxes was \$127,116,753 or 26.2%.

Management's Discussion And Analysis

Changes in the District's Net Position

	2019	2018	Difference
Revenues:			
Program revenues:			
Charges for services	\$ 7,892,874	\$ 8,056,933	\$ (164,059)
Operating grants & contributions	121,861,725	31,971,093	89,890,632
General revenues:			
Property taxes	127,116,753	111,033,775	16,082,978
State grants	244,283,158	249,142,614	(4,859,456)
Other	15,974,503	4,222,853	11,751,650
Total revenues	<u>517,129,013</u>	<u>404,427,268</u>	<u>112,701,745</u>
Expenses:			
Instruction	278,599,291	175,078,192	103,521,099
Instructional resources & media services	6,495,784	4,755,535	1,740,249
Curriculum & staff development	6,303,907	3,689,614	2,614,293
Instructional leadership	9,240,805	5,962,531	3,278,274
School leadership	23,835,868	15,785,601	8,050,267
Guidance, counseling & evaluation services	20,357,940	12,821,762	7,536,178
Social work services	913,940	323,963	589,977
Health services	4,815,498	3,115,350	1,700,148
Student (pupil) transportation	6,912,255	4,531,345	2,380,910
Food Services	24,530,339	17,015,668	7,514,671
Co-curricular/extracurricular activities	10,946,535	8,646,472	2,300,063
General administration	9,983,920	7,550,670	2,433,250
Plant maintenance & operations	37,336,167	31,826,308	5,509,859
Security and monitoring services	4,014,902	3,216,751	798,151
Data processing services	8,908,915	6,522,611	2,386,304
Community services	1,029,810	564,060	465,750
Debt service-interest on long-term debt	26,551,227	22,410,528	4,140,699
Bond issuance costs and fees	191,140	1,134,987	(943,847)
Facilities acquisition & construction	990,849	1,434,977	(444,128)
Payments to juvenile justice alternative education program	50,424	63,762	(13,338)
Payments to tax increment fund	3,216,624	3,627,332	(410,708)
Other Intergovernmental charges	406,205	368,753	37,452
Total expenses	<u>485,632,345</u>	<u>330,446,772</u>	<u>155,185,573</u>
Increase in Net Position	31,496,668	73,980,496	(42,483,828)
Beginning Net Position	133,539,670	286,507,221	(152,967,551)
Prior period adjustment - Implement GASB 75 for OPEI	-	(226,948,047)	226,948,047
Restatement	<u>133,539,670</u>	<u>59,559,174</u>	<u>73,980,496</u>
Ending Net Position	<u><u>\$ 165,036,338</u></u>	<u><u>\$ 133,539,670</u></u>	<u><u>\$ 31,496,668</u></u>

(a) The restatement of the beginning net position is the result of the District implementing GASB Statement No. 75 in fiscal year 2018.

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 \$325,848,732, a decrease of \$43,982,361. Approximately 34.4 percent or \$112,274,659 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 \$1,889,450, and prepaid expenditures \$260,012; restricted, debt service \$24,998,309, food service \$6,542,812, capital acquisitions \$173,753,366, and state special revenue, \$259,241; committed, local special revenue, \$171,575; assigned, \$5,699,308.

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 \$112,274,659, while the total fund balance was \$119,411,826. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 32.9 percent of the total general fund expenditures, while total fund balance represents 33.4 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, 2019, amounted to \$1,675,537.

General Fund Budgetary Highlights

The budget was amended several times during the fiscal year 2019. The district made the following amendments to budgeted revenue:

- \$ 1,117,500 increase in local revenue
- \$ 507,700 decrease in state revenue
- \$ 2,076,300 increase in federal revenue
- \$ 3,039,600 increase in other resources

Following is a summary of amendments made to appropriations:

- \$ 4,804,315 decrease for instructional services
- \$ 796,150 decrease for instructional and school leadership
- \$ 3,225,600 increase for student services
- \$ 167,700 decrease for general administration
- \$ 135,150 decrease for support services
- \$ 127,900 increase for data processing
- \$ 11,900 decrease for ancillary services
- \$ 3,399,400 decrease for capital outlay
- \$ 381,400 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, 2019, amounts to \$775,671,069 (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)

	2019	2018	Difference
Land	\$ 20,203,589	\$ 17,954,063	\$ 2,249,526
Buildings and improvements	587,509,622	492,721,375	94,788,247
Furniture & equipment	67,036,665	67,177,881	(141,216)
Construction in progress	100,921,193	146,088,904	(45,167,711)
Totals at historical cost	<u>\$ 775,671,069</u>	<u>\$ 723,942,223</u>	<u>\$ 51,728,846</u>

Long-term debt. At the end of August 31, 2019, the District had total bonded debt outstanding of \$608,469,767, a decrease of \$28,543,375 from the prior year. The "AAA" long-term rating on the District's Texas' bonds reflects the Texas Permanent School Fund guarantee. The "AA" Standard & Poor's and "AA+" Fitch ratings on the District's unenhanced debt reflects the District's: 1) participation in the strong and growing Dallas area economy, 2) very strong administrative management, and 3) superior cash position.

Assessed values (AVs) have increased an average of 7.2% annually from fiscal 2015-2019, with an increase in 2019 of 10.4%. Top ten taxpayers account for about 6.5% of a diversified tax roll, where residential property comprises roughly 68.9% of the District's AV and commercial property accounts for approximately 31.1%. The economic base includes retail, telecommunications, manufacturing, warehousing, and distribution enterprises

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

Economic Factors and Next Year's Budgets and Rates

- The District's student attendance rate was 96.1 percent for 2019.
- The District's enrollment has experienced a decrease of 1.57% percent

Budget for 2020

- Local revenue increased \$6,244,300, state aid increased \$19,601,250, federal increased \$1,806,000 and other sources increased \$95,653,900 for a total net increase of \$97,459,900.
- Expenditures for 2019 increased \$12,465,685 in the general fund due to salary increases, increased for debt service \$3,000,000, increased for capital projects \$44,786,995, increased for special revenue funds \$2,686,100, for a total net increase of \$62,938,780.

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, 2019

Exhibit A-1

**Data
Control
Codes**

		<u>Governmental Activities</u>
ASSETS		
1110	Cash and cash equivalents	\$ 103,025,283
1120	Investments	165,107,250
1220	Delinquent property taxes receivable	8,213,208
1230	Allowance for uncollectable taxes (credit)	(2,537,170)
1240	Due from other governments	10,181,782
1250	Accrued interest	1,697,514
1290	Other receivables (net)	654,368
1300	Inventories	2,044,311
1410	Prepaid expenditures or expenses	260,012
1490	Other current assets	9,758
	Capital assets:	
1510	Land	20,203,589
1520	Buildings and improvements (net)	587,509,622
1530	Furniture and equipment (net)	67,036,665
1580	Construction in progress	100,921,193
1910	Long-term investments	<u>93,794,368</u>
1000	Total Assets	<u>1,158,121,753</u>
DEFERRED OUTFLOWS OF RESOURCES		
1701	Accumulated decrease in fair value of hedging derivative	4,651,360
1702	Deferred loss on refunding	42,926,899
1705	Related to TRS Pension	69,939,025
1706	Related to TRS OPEB	<u>19,015,392</u>
1700	Total deferred outflows of resources	<u>136,532,676</u>
LIABILITIES		
2110	Accounts payable	22,378,716
2140	Interest payable	1,374,976
2150	Payroll deductions and withholdings	2,707,808
2160	Accrued wages payable	23,030,165
2200	Accrued expenditures or expenses	704,140
2300	Unearned revenue	429,546
2302	Derivative instrument	4,651,360
	Noncurrent liabilities:	
2501	Due within one year	30,631,118
2502	Due in more than one year	701,077,532
2540	Net pension liability (District's share)	133,666,300
2545	Net OPEB liability (District's share)	<u>153,196,337</u>
2000	Total Liabilities	<u>1,073,847,998</u>
DEFERRED INFLOWS OF RESOURCES		
2605	Related to TRS Pension	7,325,721
2606	Related to TRS OPEB	<u>48,444,372</u>
2600	Total deferred inflows of resources	<u>55,770,093</u>
NET POSITION		
3200	Net investment in capital assets	285,144,104
	Restricted for:	
3820	Food service	7,254,415
3850	Debt service	19,418,704
3900	Unrestricted net position	<u>(146,780,885)</u>
3000	Total net position	<u>\$ 165,036,338</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, 2019

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	\$ 278,599,191	\$ 404,311	\$ 49,381,904	\$ (228,812,976)
12	Instructional resources and media services	6,495,784	-	701,115	(5,794,669)
13	Curriculum and staff development	6,303,907	-	4,494,652	(1,809,255)
21	Instructional leadership	9,240,805	-	2,281,261	(6,959,544)
23	School leadership	23,835,868	-	2,684,809	(21,151,059)
31	Guidance, counseling, and evaluation services	20,357,940	-	3,558,084	(16,799,856)
32	Social work services	913,940	-	1,907,337	993,397
33	Health services	4,815,498	-	554,046	(4,261,452)
34	Student transportation	6,912,255	-	2,248,170	(4,664,085)
35	Food service	24,530,339	3,177,126	20,819,207	(534,006)
36	Extracurricular activities	10,946,535	3,941,438	1,068,774	(5,936,323)
41	General administration	9,983,920	-	926,720	(9,057,200)
51	Plant maintenance and operations	37,336,167	369,999	3,114,680	(33,851,488)
52	Security and monitoring services	4,014,902	-	308,091	(3,706,811)
53	Data processing services	8,908,915	-	815,781	(8,093,134)
61	Community services	1,029,810	-	1,975,233	945,423
72	Interest on long-term debt	26,551,227	-	24,037,151	(2,514,076)
73	Bond issuance costs and fees	191,140	-	-	(191,140)
81	Facilities acquisition and construction	990,849	-	984,710	(6,139)
95	Payments to juvenile justice alternative education programs	50,424	-	-	(50,424)
97	Payments to Tax Increment Fund	3,216,624	-	-	(3,216,624)
99	Other intergovernmental charges	406,205	-	-	(406,205)
[TP] TOTAL PRIMARY GOVERNMENT:		485,632,245	7,892,874	121,861,725	(355,877,646)
Data	General Revenues:				
Control	Taxes				
Codes	Property Taxes, Levied for General Purposes				
MT	87,014,704				
DT	Property Taxes, Levied for Debt Service				
SF	40,102,049				
GC	State Aid - Formula Grants				
IE	244,283,158				
TR	Miscellaneous				
CN	4,909,551				
NB	Investment Earnings				
NE	11,064,952				
	Total general revenues				
	387,374,414				
	Change in net position				
	31,496,768				
	Net position-beginning				
	133,539,570				
	Net position-ending				
	\$ 165,036,338				

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, 2019

Data Control Codes		10	24	50
		General Fund	Food Service	Debt Service Fund
ASSETS				
1110	Cash and cash equivalents	\$ 65,940,121	\$ 3,757,703	\$ 7,833,505
1120	Investments	89,780,440	3,000,348	15,656,265
1220	Property taxes delinquent	5,961,079	-	2,252,129
1230	Allowance for uncollectable taxes (credit)	(1,841,457)	-	(695,713)
1240	Due from other governments	2,398,661	1,056,619	1,409,703
1250	Accrued interest	-	38,928	65,775
1260	Due from other funds	8,475,546	31,578	38,688
1290	Other receivables	572,516	77,802	2
1300	Inventories	1,177,847	711,603	-
1410	Prepaid expenditures	260,012	-	-
1000	Total assets	<u>\$ 172,724,765</u>	<u>\$ 8,674,581</u>	<u>\$ 26,560,354</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
LIABILITIES:				
2110	Accounts payable	\$ 6,478,260	\$ 633,092	\$ 5,627
2150	Payroll deductions and withholdings payable	2,707,808	-	-
2160	Accrued wages payable	22,469,908	552,395	-
2170	Due to other funds	17,342,534	-	-
2300	Unearned revenue	194,807	234,679	-
2000	Total liabilities	<u>49,193,317</u>	<u>1,420,166</u>	<u>5,627</u>
DEFERRED INFLOWS:				
2600	Unavailable revenue	4,119,622	-	1,556,418
	Total deferred inflows	<u>4,119,622</u>	<u>-</u>	<u>1,556,418</u>
FUND BALANCES:				
Nonspendable				
3410	Inventories	1,177,847	711,603	-
3430	Prepaid expenditures	260,012	-	-
Restricted				
3480	Debt service	-	-	24,998,309
3470	Capital acquisitions program	-	-	-
3450	Food service	-	6,542,812	-
3450	State Special Revenue	-	-	-
Committed				
3545	Local Special Revenue	-	-	-
3590	Assigned	5,699,308	-	-
3600	Unassigned	112,274,659	-	-
3000	Total fund balances	<u>119,411,826</u>	<u>7,254,415</u>	<u>24,998,309</u>
4000	Total liabilities, deferred inflows, and fund balances	<u>\$ 172,724,765</u>	<u>\$ 8,674,581</u>	<u>\$ 26,560,354</u>

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

60		98	
Capital Projects	Textbook Allotment	Non-Major Governmental Funds	Total Governmental Funds
\$ 19,996,399	\$ -	\$ -	\$ 97,527,728
150,464,565	-	-	258,901,618
-	-	-	8,213,208
-	-	-	(2,537,170)
-	-	5,316,799	10,181,782
1,592,811	-	-	1,697,514
10,465,599	6,545,817	210,459	25,767,687
-	-	100	650,420
-	-	-	1,889,450
-	-	-	260,012
<u>\$ 182,519,374</u>	<u>\$ 6,545,817</u>	<u>\$ 5,527,358</u>	<u>\$ 402,552,249</u>
\$ 8,766,008	\$ 6,300,885	\$ 128,531	\$ 22,312,403
-	-	-	2,707,808
-	-	7,862	23,030,165
-	-	5,205,021	22,547,555
-	-	60	429,546
<u>8,766,008</u>	<u>6,300,885</u>	<u>5,341,474</u>	<u>71,027,477</u>
-	-	-	5,676,040
-	-	-	5,676,040
-	-	-	1,889,450
-	-	-	260,012
-	-	-	24,998,309
173,753,366	-	-	173,753,366
-	-	-	6,542,812
-	244,932	14,309	259,241
-	-	171,575	171,575
-	-	-	5,699,308
-	-	-	112,274,659
<u>173,753,366</u>	<u>244,932</u>	<u>185,884</u>	<u>325,848,732</u>
<u>\$ 182,519,374</u>	<u>\$ 6,545,817</u>	<u>\$ 5,527,358</u>	<u>\$ 402,552,249</u>

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

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
August 31, 2019

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 325,848,732
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	1,675,537
Capital assets (net) used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	775,671,069
Bonds payable have not been included in the governmental fund financial statements.	(608,469,767)
Accreted interest for capital appreciation bonds have not been included in the governmental fund financial statements.	(24,170,545)
Unavailable revenue in the fund financial statements was recorded as revenue in the district-wide financial statements.	5,676,040
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.	(1,141,568)
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.	(1,374,976)
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.	(97,926,770)
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.	42,926,899
Included in the items related to debt is the recognition of the District's proportionate share of the TRS net pension liability (\$133,666,300) and a deferred inflow of resources (\$7,325,721), and a deferred outflow of resources \$69,939,025. The result is a decrease in net position.	(71,052,996)
Included in the items related to debt is the recognition of the District's proportionate share of the TRS net OPEB liability (\$153,196,337) and a deferred inflow of resources (\$48,444,372), and a deferred outflow of resources \$19,015,392. The result is a decrease in net position.	(182,625,317)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 165,036,338</u>

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

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Mesquite Independent School District

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2019

Data Control Codes		10 General Fund	24 Food Service	50 Debt Service Fund
REVENUES				
5700	Local and intermediate sources	\$ 96,682,294	\$ 3,370,976	\$ 41,011,953
5800	State program revenues	260,207,642	308,582	24,037,151
5900	Federal program revenues	5,471,041	19,065,048	-
5020	Total revenues	<u>362,360,977</u>	<u>22,744,606</u>	<u>65,049,104</u>
EXPENDITURES				
CURRENT:				
0011	Instruction	209,440,357	-	-
0012	Instructional resources and media services	5,882,019	-	-
0013	Curriculum and staff development	3,701,139	-	-
0021	Instructional leadership	6,677,436	-	-
0023	School leadership	19,250,145	-	-
0031	Guidance, counseling, and evaluation services	15,162,952	-	-
0032	Social work services	215,053	-	-
0033	Health services	3,896,097	-	-
0034	Student transportation	6,599,519	-	-
0035	Food service	1,262,470	22,294,296	-
0036	Extracurricular activities	11,241,059	-	-
0041	General administration	8,481,425	-	-
0051	Plant maintenance and operations	34,940,328	-	-
0052	Security and monitoring services	3,786,216	-	-
0053	Data processing services	8,220,692	-	-
0061	Community services	268,672	-	-
DEBT SERVICE:				
0071	Principal on long-term debt	-	-	28,543,375
0072	Interest on long-term debt	-	-	34,011,863
0073	Bond issuance costs and fees	-	-	191,140
CAPITAL OUTLAY				
0081	Facilities acquisition and construction	15,325,998	-	-
INTERGOVERNMENTAL:				
0095	Payments to juvenile justice alternative Ed. Prg	50,424	-	-
0097	Payments to tax increment fund	3,216,624	-	-
0099	Other intergovernmental expenditures	406,205	-	-
6030	Total expenditures	<u>358,024,830</u>	<u>22,294,296</u>	<u>62,746,378</u>
1100	Excess (deficiency) of revenues over expenditures	<u>4,336,147</u>	<u>450,310</u>	<u>2,302,726</u>
OTHER FINANCING SOURCES (USES) :				
7912	Sale of real or personal property	3,131,150	-	-
7915	Transfers in	391,200	41,329	-
7949	Other resources	-	-	-
8911	Transfers out	(742,684)	(391,200)	-
7080	Total other financing sources (uses)	<u>2,779,666</u>	<u>(349,871)</u>	<u>-</u>
1200	Net change in fund balances	7,115,813	100,439	2,302,726
0100	Fund balances--beginning	<u>112,296,013</u>	<u>7,153,976</u>	<u>22,695,583</u>
3000	Fund balances--ending	<u>\$ 119,411,826</u>	<u>\$ 7,254,415</u>	<u>\$ 24,998,309</u>

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

60 Capital Projects	Textbook Allotment	Non-Major Governmental Funds	98 Total Governmental Funds
\$ 5,938,463	\$ -	\$ 905,274	\$ 147,908,960
-	7,125,043	1,197,916	292,876,334
-	-	20,602,234	45,138,323
<u>5,938,463</u>	<u>7,125,043</u>	<u>22,705,424</u>	<u>485,923,617</u>
-	6,988,537	17,455,037	233,883,931
-	-	19,684	5,901,703
-	-	1,630,684	5,331,823
-	-	821,726	7,499,162
-	-	240,929	19,491,074
-	-	1,353,507	16,516,459
-	-	456,904	671,957
-	-	-	3,896,097
-	-	322,507	6,922,026
-	-	13,988	23,570,754
104,616	-	37,427	11,383,102
345,997	-	-	8,827,422
237,957	-	122	35,178,407
-	-	-	3,786,216
216,076	-	-	8,436,768
-	-	457,559	726,231
-	-	-	28,543,375
-	-	-	34,011,863
-	-	-	191,140
60,000,533	-	363,944	75,690,475
-	-	-	50,424
-	-	-	3,216,624
-	-	-	406,205
<u>60,905,179</u>	<u>6,988,537</u>	<u>23,174,018</u>	<u>534,133,238</u>
<u>(54,966,716)</u>	<u>136,506</u>	<u>(468,594)</u>	<u>(48,209,621)</u>
963,854	-	-	4,095,004
-	-	439,370	871,899
394,241	-	-	394,241
-	-	-	(1,133,884)
<u>1,358,095</u>	<u>-</u>	<u>439,370</u>	<u>4,227,260</u>
<u>(53,608,621)</u>	<u>136,506</u>	<u>(29,224)</u>	<u>(43,982,361)</u>
<u>227,361,987</u>	<u>108,426</u>	<u>215,108</u>	<u>369,831,093</u>
<u>\$ 173,753,366</u>	<u>\$ 244,932</u>	<u>\$ 185,884</u>	<u>\$ 325,848,732</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, 2019

Exhibit C-2R

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (43,982,361)
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.	(781,362)
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.	89,334,474
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources.	(36,730,375)
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.	28,543,375
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.	35,085
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.	4,596,469
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.	(3,666)
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 \$6,266,798 was to increase net position.	6,266,798
Amortization of deferred loss on refunding amount is not recognized in the governmental funds. The effect of recording current year's amortization is to decrease net position.	(3,443,292)
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.	(830,826)
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.	1,373,139
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 increase in deferred outflows (\$33,077,247); decrease in deferred inflows (\$15,547,015); and increase in net pension liability (\$59,101,475).	(10,477,213)
The net change in net OPEB 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 increase in deferred outflows (\$16,914,914); decrease in deferred inflows (\$5,328,221); and increase in net OPEB liability (\$24,646,612).	(2,403,477)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 31,496,768</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, 2019

Exhibit D-1

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 5,497,555
Inventory	154,861
Due from other funds	50,393
Other current assets	9,758
	<hr/>
Total assets	5,712,567
	<hr/>
CURRENT LIABILITIES:	
Accounts payable	66,313
Due to other funds	3,266,577
Accrued expenses	704,140
	<hr/>
Total liabilities	4,037,030
	<hr/>
NET POSITION	
Unrestricted	1,675,537
	<hr/>
Total net position	<u>\$ 1,675,537</u>

Mesquite Independent School District
 Statement Of Revenues, Expenses, And Changes In Net Position
 Proprietary Funds
 For The Year Ended August 31, 2019

Exhibit D-2

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
OPERATING REVENUES:	
Charges for services	\$ 4,825,105
Total operating revenues	<u>4,825,105</u>
OPERATING EXPENSES:	
Personal services	1,522,638
Contractual services	102,882
Other supplies and expenses	2,997,286
Insurance claims and expenses	1,232,176
Other operating costs	20,877
Total operating expenses	<u>5,875,859</u>
Operating loss	<u>(1,050,754)</u>
NONOPERATING REVENUES:	
Earnings from temporary deposits and investments	7,407
Total nonoperating revenue	<u>7,407</u>
TRANSFERS IN	<u>261,985</u>
Change in net position	(781,362)
Total net position—beginning	<u>2,456,899</u>
Total net position—ending	<u>\$ 1,675,537</u>

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, 2019

Exhibit D-3

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from transactions with other funds	\$ 5,133,103
Payments to suppliers	(3,018,001)
Payments to employees	(1,625,520)
Claims paid	(1,232,176)
Net cash used in operating activities	<u>(742,594)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	<u>261,985</u>
Net cash provided by non-capital financing activities	<u>261,985</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	<u>7,407</u>
Net cash provided by investing activities	<u>7,407</u>
Net decrease in cash and cash equivalents	(473,202)
Balances—beginning of the year	<u>5,970,757</u>
Balances—end of the year	<u>\$ 5,497,555</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (1,050,754)
Effect of increases and decreases in current assets and liabilities:	
Decrease in inventory	4,744
Decrease in interfund receivables	307,998
Decrease in accounts payable	(19,028)
Decrease in accrued expenses	14,446
Net cash used in operating activities	<u>\$ (742,594)</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, 2019

Exhibit E-1

	Private Purpose Trust Funds	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 157,581	\$ 544,017
Total assets	<u>\$ 157,581</u>	<u>\$ 544,017</u>
LIABILITIES		
Due to other funds	\$ -	\$ 3,948
Due to student groups	-	540,069
Total liabilities	<u>\$ -</u>	<u>\$ 544,017</u>
NET POSITION		
Unrestricted net position	<u>\$ 157,581</u>	
Total net position and liabilities	<u><u>\$ 157,581</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, 2019

Exhibit E-2

	Private Purpose Trust Funds
ADDITIONS	
Local and intermediate sources	\$ 31,397
Total additions	<u>31,397</u>
DEDUCTIONS	
Supplies and materials	3,950
Other operating costs	<u>12,396</u>
Total deductions	<u>16,346</u>
Change in net position	15,051
Net position September 1 (Beginning)	<u>142,530</u>
Net position August 31 (Ending)	<u><u>\$ 157,581</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 non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. The District has no business type activities that rely, to a significant extent, on fees and charges for support.

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

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Interfund activities between governmental funds and proprietary funds appear as due to/due from on the governmental fund balance sheet and proprietary fund statement of net position and as other sources and other uses on the governmental fund statement of revenues, expenditures, and changes in fund balance.

Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "transfer" line on the district-wide statement of activities, when applicable. Similarly, interfund receivables and payables are netted and presented as a single "internal balances" line of district-wide statement of net position, when applicable.

Mesquite Independent School District

Notes to the Financial Statements

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

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

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.

Mesquite Independent School District

Notes to the Financial Statements

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.
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.
5. **Textbook Allotment Special Revenue Fund** – The textbook allotment fund is utilized to account for the activities of the textbook allotment program which are funded by state grants.

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.

Mesquite Independent School District

Notes to the Financial Statements

F. Property Taxes

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

On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the District fiscal year.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

G. 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.

H. 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.

I. 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.

Mesquite Independent School District

Notes to the Financial Statements

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

J. 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.

K. 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.

L. 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.

Mesquite Independent School District

Notes to the Financial Statements

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

Governmental Fund Financial Statements

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

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

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

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

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

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

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

M. 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, 2019 that were provided for in the subsequent year's budget are:

General fund	\$	5,580,284
Non-major special revenue		223,203
Major special revenue		6,107,105
Capital project funds		<u>50,968,250</u>
Total	\$	<u>62,878,842</u>

N. Budgetary Data

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

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

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, 2019 will change.

Q. Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 10, 2020, the date the financial statements were available to be issued.

Mesquite Independent School District

Notes to the Financial Statements

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, 2019, the carrying amount of the District's cash deposits held at the depository bank was \$1,401,397 and the bank balance was \$9,003,449. The District's cash deposits at August 31, 2019 and during the year ended August 31, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

- a. Depository: Prosperity Bank.
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$61,235,999.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$20,348,080 and occurred during the month of December 2018 .
- 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

Mesquite Independent School District

Notes to the Financial Statements

The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

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

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

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

Investment Type	August 31, 2019	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	\$ 13,055,360	\$ -	\$ -	\$ -	4%	36 days
Investments Measured at Net Asset Value (NAV), Fair Value:						
Texstar	18,413,546	-	-	-	5%	22 days
Lonestar	70,836,306	-	-	-	20%	27 days
Certificates of Deposit	112,653,377	-	-	-	31%	210 days
Investments by Fair Value level:						
Commercial Paper	108,886,084	108,886,084	-	-	30%	68 days
U.S. Government Obligations	37,348,388	37,348,388	-	-	10%	188 days
Investment Derivative Instrument						
Interest rate swap	(4,651,360)	-	(4,651,360)	-		
Total value	\$ 356,541,701	\$ 146,234,472	\$ (4,651,360)	\$ -		

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

Mesquite Independent School District

Notes to the Financial Statements

The District is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than 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.

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

Cash and investments as of August 31, 2019 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 103,025,283
Current investments	165,107,250
Long-term investments	93,794,368
Fiduciary funds:	
Cash and cash equivalents	<u>701,598</u>
Total cash and investments	<u><u>\$ 362,628,499</u></u>

Cash and investments as of August 31, 2019 consist of the following:

Cash on hand	\$ 34,041
Deposits with financial institutions	1,401,397
Investments	<u>361,193,061</u>
Total cash and investments	<u><u>\$ 362,628,499</u></u>

Mesquite Independent School District

Notes to the Financial Statements

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

<u>Investment Type</u>		<u>Weighted Average Maturity</u>
U.S. Government Obligations	\$ 37,348,388	188 days
Certificates of Deposit/Treasury Notes	112,653,377	210 days
Commercial Paper	108,886,084	68 days
Investment Pool -LoneStar	70,836,306	27 days
Investment Pool -TexPool	13,055,360	36 days
Investment Pool -Texstar	18,413,546	22 days
Total	\$ 361,193,061	

As of August 31, 2019 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, 2019 for each investment type.

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
U.S. Government Obligations	\$ 37,348,388	N/A	N/A
Certificates of Deposit/Treasury Notes	112,653,377	N/A	N/A
Commercial Paper	108,886,084	N/A	N/A
Investment Pool -LoneStar	70,836,306	N/A	AAA
Investment Pool -TexPool	13,055,360	N/A	AAAm
Investment Pool -Texstar	18,413,546	N/A	AAAm
Total	\$ 361,193,061		

Mesquite Independent School District

Notes to the Financial Statements

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, 2019, the District held 31% of their portfolio in certificates of deposit and treasury notes and 10% 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. 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, 2019, 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, 2019, 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	Debt Service Fund	Non-Major Special Revenue Funds	Total
State entitlement	\$ 2,361,045	\$ -	\$ -	\$ -	\$ 2,361,045
State grants	-	104,295	1,409,703	344,607	1,858,605
Federal grants	37,616	952,324	-	4,972,192	5,962,132
	<u>\$ 2,398,661</u>	<u>\$ 1,056,619</u>	<u>\$ 1,409,703</u>	<u>\$ 5,316,799</u>	<u>\$ 10,181,782</u>

Mesquite Independent School District

Notes to the Financial Statements

Note 4. Other Receivables

Other receivables as of August 31, 2019, for the District's individual major funds and non-major governmental funds in the aggregate are as follows:

	General Fund	Food Service Fund	Debt Service Fund	Non-Major Governmental Funds	Internal Service Funds	Total
Taxes receivable	\$ 123,751	\$ -	\$ -	\$ -	\$ -	\$ 123,751
TAMU rent and utilities	36,577	-	-	-	-	36,577
City of Mesquite	368,348	-	-	-	-	368,348
City of Garland	21,433	-	-	-	-	21,433
Masters reimbursement	19,503	-	-	-	-	19,503
Miscellaneous/Due from other	2,904	77,802	2	100	-	80,808
	<u>\$ 572,516</u>	<u>\$ 77,802</u>	<u>\$ 2</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 650,420</u>

District-wide other receivables includes \$3,948 due from 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, 2019 consisted of the following individual fund receivables and payables:

Due to Fund	Due from Fund	Amount
Capital Projects	General Funds	\$ 10,465,599
Major Special Revenue-Food Service	General Funds	31,578
Major Special Revenue-Textbooks	General Funds	6,545,817
Debt Service	General Funds	38,688
Internal Service	General Funds	50,393
Non-major Special Revenue (Local)	General Funds	210,459
General Funds	Non-major Special Revenue (Federal)	4,886,575
General Funds	Internal Service	3,266,577
General Funds	Trust and Agency	3,948
General Funds	Non-major Special Revenue (State)	318,446
		<u>\$ 25,818,080</u>

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

Interfund transfers for the year ended August 31, 2019 were as follows:

Transfer From	Transfer To	Amount	Reason
General	Food Service	\$ 41,329	Food Service Transfer
General	Internal Service	261,985	Internal Service Transfer
Food Service	General	391,200	Food Service Transfer
General	Non-Major Governmental	439,370	RDS Member District Share Transfer
		<u>\$ 1,133,884</u>	

Mesquite Independent School District

Notes to the Financial Statements

Note 6. Capital Asset Activity

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

<u>Governmental Activities:</u>	Primary Government				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Non-depreciable assets					
Land	\$ 17,954,063	\$ 2,590,210	\$ (340,684)	\$ -	\$ 20,203,589
Construction in progress	146,088,904	70,181,314	-	(115,349,025)	100,921,193
Total non-depreciable assets	<u>164,042,967</u>	<u>72,771,524</u>	<u>(340,684)</u>	<u>(115,349,025)</u>	<u>121,124,782</u>
Depreciable assets					
Buildings and improvements	772,721,628	-	(41,119)	115,349,025	888,029,534
Furniture and equipment	181,047,588	16,562,950	(18,137,971)	-	179,472,567
Total depreciable assets	<u>953,769,216</u>	<u>16,562,950</u>	<u>(18,179,090)</u>	<u>115,349,025</u>	<u>1,067,502,101</u>
Less accumulated depreciation for:					
Buildings and improvements	280,000,253	20,534,493	(14,834)	-	300,519,912
Furniture and equipment	113,869,707	16,195,882	(17,629,687)	-	112,435,902
Total accumulated depreciation	<u>393,869,960</u>	<u>36,730,375</u>	<u>(17,644,521)</u>	<u>-</u>	<u>412,955,814</u>
Total capital assets, net	<u>\$ 723,942,223</u>	<u>\$ 52,604,099</u>	<u>\$ (875,253)</u>	<u>\$ -</u>	<u>\$ 775,671,069</u>

Depreciation expense was charged to governmental functions as follows:

<u>Governmental Function</u>	<u>Depreciation</u>
Instruction	\$ 24,417,364
Instructional resources and media services	574,406
Curriculum development and instructional staff development	399,219
Instructional leadership	838,474
School leadership	2,257,995
Guidance, counseling and evaluation services	1,893,364
Social work services	77,994
Health services	448,481
Student (pupil) transportation	453,495
Food services	1,134,961
Cocurricular/extracurricular activities	472,732
General administration	691,773
Plant maintenance and operations	1,950,255
Security and monitoring service	211,387
Data processing services	637,835
Community services	230,796
Construction	39,844
Total depreciation expense	<u>\$ 36,730,375</u>

Mesquite Independent School District

Notes to the Financial Statements

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	\$ 4,119,622	\$ -	\$ 1,556,418	\$ -	\$ 5,676,040
Total unavailable	<u>\$ 4,119,622</u>	<u>\$ -</u>	<u>\$ 1,556,418</u>	<u>\$ -</u>	<u>\$ 5,676,040</u>
Cheerleader receipts	\$ 192,383	\$ -	\$ -	\$ -	\$ 192,383
Athletic ticket sales	2,424	-	-	-	2,424
State grant awards	-	-	-	60	60
Prepaid PAMS	-	234,679	-	-	234,679
Total unearned	<u>\$ 194,807</u>	<u>\$ 234,679</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 429,546</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.

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.

Mesquite Independent School District

Notes to the Financial Statements

The District has several issues containing zero coupon bonds. Accordingly, the accretion of interest on these zero coupon bonds has been recorded in the district-wide financial statements. Accreted interest decreased on these bonds during the current year in the net amount of \$4,596,469. Unlimited tax bonds outstanding as of August 31, 2019 are as follows:

Purpose and Lawful Authority	Interest Rate	Final Maturity	Amount of Original Issue	Amounts Outstanding 08/31/19
Unlimited Tax School Building Bonds, Series 2000	4.45 to 6.00%	2021	\$ 40,000,000	\$ 3,200,000
Unlimited Tax School Building Bonds, Series 2003A	4.46%	2029	30,000,000	26,220,000
Unlimited Tax School Building Bonds, Series 2010-A	2.00 to 5.00%	2035	45,965,000	6,865,000
Unlimited Tax Refunding Bonds, Series 2010-B	2.25 to 5.00%	2025	27,978,394	8,530,000
Unlimited Tax Refunding Bonds, Series 2012	2.00 to 5.00%	2031	36,409,259	26,484,259
Unlimited Tax Refunding Bonds, Series 2013	3.00 to 3.50%	2026	8,760,000	8,635,000
Unlimited Tax School Building Bonds, Series 2014-A	2.5 to 5.00%	2025	24,045,000	18,190,000
Unlimited Tax Refunding Bonds, Series 2014-B	2.00 to 5.00%	2030	54,200,000	12,535,000
Unlimited Tax School Building Bonds, Series 2015-A	2.00 to 4.00%	2026	27,020,000	22,390,000
Unlimited Tax Refunding Bonds, Series 2015-B	2.00 to 4.00%	2031	21,309,996	17,890,000
Unlimited Tax Refunding Bonds, Series 2015-C	2.00 to 5.00%	2032	27,496,135	26,619,306
Unlimited Tax Refunding Bonds, Series 2015-D	4.00 to 5.00%	2031	27,068,535	20,205,000
Unlimited Tax School Building Bonds, Series 2015-E	3.00 to 5.00%	2038	71,870,000	70,495,000
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	90,665,000
Unlimited Tax Refunding Bonds, Series 2017-A	3.00 to 5.00%	2032	12,803,008	12,166,202
Unlimited Tax School Building Bonds, Series 2017-B	3.00 to 5.00%	2042	88,350,000	81,435,000
Unlimited Tax School Building Bonds, Series 2018	5.00%	2048	118,645,000	116,785,000
Total bonded debt principal payable				\$ 608,469,767

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 1.43% at August 31, 2019.

Because interest rates have declined since execution of the swap, the swap had a negative fair value of \$4,651,360 as of August 31, 2019. 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, 2019, 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, 2019. 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, 2019		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
2003-A Swap					
(Cash flow hedge)	Deferred outflow	\$ (1,037,935)	Debt	\$ (4,651,360)	\$ 26,220,000

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	
2020	\$ 2,420,000	\$ 297,879	\$ 871,009	\$ 3,588,888
2021	2,520,000	270,386	790,618	3,581,004
2022	2,630,000	241,756	706,906	3,578,662
2023	2,735,000	211,878	619,540	3,566,418
2024	2,855,000	180,806	528,684	3,564,490
2025-2029	13,060,000	388,025	1,134,603	14,582,628
	<u>\$ 26,220,000</u>	<u>\$ 1,590,730</u>	<u>\$ 4,651,360</u>	<u>\$ 32,462,090</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	
2020	\$ 21,985,378	\$ 31,830,526	\$ 53,815,904
2021	20,836,113	30,788,142	51,624,255
2022	15,663,707	29,927,748	45,591,455
2023	14,844,980	29,275,824	44,120,804
2024	20,415,329	23,694,277	44,109,606
2025-2029	112,796,410	103,678,918	216,475,328
2030-2034	130,877,850	76,973,265	207,851,115
2035-2039	124,795,000	46,459,925	171,254,925
2040-2044	87,925,000	17,803,200	105,728,200
2045-2048	32,110,000	4,111,750	36,221,750
	<u>\$ 582,249,767</u>	<u>\$ 394,543,575</u>	<u>\$ 976,793,342</u>

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, 2019.

Mesquite Independent School District

Notes to the Financial Statements

D. Current Debt Issuances

In prior years, the District defeased certain unlimited tax school building bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. As of August 31, 2019, \$24,125,000 of bonds considered defeased are still outstanding.

Changes in Long-Term Liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government activities					
Bonded debt payable	\$ 637,013,142	\$ -	\$ (28,543,375)	\$ 608,469,767	\$ 24,405,378
	637,013,142	-	(28,543,375)	608,469,767	24,405,378
Net pension liability	74,564,825	67,282,218	(8,180,743)	133,666,300	-
Net OPEB liability	128,549,725	26,763,208	(2,116,596)	153,196,337	-
Accreted interest	28,767,014		(4,596,469)	24,170,545	5,761,047
Premium on bonds	104,193,568	-	(6,266,798)	97,926,770	-
Compensated absences	1,176,653	-	(35,085)	1,141,568	464,693
Long-term liabilities	\$ 974,264,927	\$ 94,045,426	\$ (49,739,066)	\$ 1,018,571,287	\$ 30,631,118

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

Note 9. General Fund Federal Source Revenues

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

Program or Source	CFDA Number	Amount	Total Grant or Entitlement
Selective reserve educational assistance	N/A	\$ 473,718	\$ 473,718
School health and related services	N/A	4,997,323	4,997,323
		\$ 5,471,041	\$ 5,471,041

Mesquite Independent School District

Notes to the Financial Statements

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	\$ 84,608,426	\$ -	\$ 39,049,958	\$ -	\$ -	\$ 123,658,384
Taxes, prior years	485,765	-	173,028	-	-	658,793
Penalties and interest	973,507	-	452,930	-	-	1,426,437
Investment earnings	3,631,536	193,850	1,336,037	5,896,122	-	11,057,545
Insurance recovery	726,244	-	-	-	-	726,244
Tuition from patrons	273,733	-	-	-	-	273,733
Athletic activities	567,624	-	-	-	-	567,624
Rent	369,999	-	-	-	-	369,999
Food service activities	130,578	3,130,188	-	-	-	3,260,766
Gifts and bequests	296,464	-	-	-	240,116	536,580
Extra/cocurricular	3,340,238	-	-	-	8,614	3,348,852
Enterprising revenues	-	462	-	-	-	462
Other	1,278,180	46,476	-	42,341	656,544	2,023,541
	<u>\$ 96,682,294</u>	<u>\$ 3,370,976</u>	<u>\$ 41,011,953</u>	<u>\$ 5,938,463</u>	<u>\$ 905,274</u>	<u>\$ 147,908,960</u>

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.

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.

Mesquite Independent School District

Notes to the Financial Statements

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 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for Plan fiscal years 2016 and 2017 and the 85th Texas Legislature, GAA established the employer contribution rates for Plan fiscal years 2018 and 2019.

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2019 Employer Contributions	\$ 8,180,743	
2019 Member Contributions	\$ 19,641,545	
2019 NECE On-behalf Contributions	\$ 11,482,782	

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

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

Mesquite Independent School District

Notes to the Financial Statements

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

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

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

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

F. Actuarial Assumptions

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

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial method normal	Individual entry age normal
Asset valuation method	Market value
Single discount rate	6.907%
Long-term expected investment rate of return	7.25%
Municipal Bond Rate as of August 31, 2018	3.69%. Source for the rate is the Fixed Income Market Data / Yield Curve / Date Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary increases including inflation	3.05% to 9.05% including inflation
Payroll growth rate	2.50%
Ad hoc post-employment benefit changes	None

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

Mesquite Independent School District

Notes to the Financial Statements

G. Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The Discount Rate can be found in the 2018 TRS CAFR on page 77. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global equity:			
U.S.	18.00%	5.70%	1.04%
Non-U.S. developed	13.00%	6.90%	0.90%
Emerging markets	9.00%	8.95%	0.80%
Directional hedge funds	4.00%	3.53%	0.14%
Private equity	13.00%	10.18%	1.32%
Stable value:			
U.S. treasuries	11.00%	1.11%	0.12%
Absolute return	0.00%	0.00%	0.00%
Stable value hedge funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real return:			
Global inflation linked bonds	3.00%	0.70%	0.02%
Real assets	14.00%	5.21%	0.73%
Energy and natural resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk parity:			
Risk parity	5.00%	3.70%	0.18%
Inflation expectation			2.30%
Alpha			-0.79%
Totals	100.0%		7.25%

* 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 (6.907%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability:	\$201,734,499	\$133,666,300	\$78,561,056

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

At August 31, 2019, the District reported a liability of \$133,666,300 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	\$ 133,666,300
State's proportionate share that is associated with District	<u>187,735,644</u>
Total	<u><u>\$ 321,401,944</u></u>

The net pension liability was measured as of August 31, 2017 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was .02428423% which was an increase of .00096422% from its proportion measured as of August 31, 2017.

For the fiscal year ended August 31, 2019, the District recognized pension expense of \$29,058,038 and revenue of \$18,580,825 for support provided by the State.

Mesquite Independent School District

Notes to the Financial Statements

At August 31, 2019, the District reported deferred outflows of resources for contributions made after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 833,166	\$ (3,279,643)
Changes in actuarial assumptions	48,193,140	(1,506,037)
Difference between projected and actual investment earnings	-	(2,536,223)
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	11,969,744	(3,818)
Contributions paid to TRS subsequent to the measurement date	8,942,975	-
	<u>8,942,975</u>	<u>-</u>
Total	<u>\$ 69,939,025</u>	<u>\$ (7,325,721)</u>

\$8,942,975 reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2019. Other amounts reported as 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:	
2019	\$ 14,159,641
2020	8,822,351
2021	7,383,921
2022	9,036,885
2023	8,653,512
Thereafter	5,614,019
	<u>5,614,019</u>
Total	<u>\$ 53,670,329</u>

Note 12. Defined Other Post-Employment Benefit Plan

Plan Description

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

Mesquite Independent School District

Notes to the Financial Statements

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates
Effective January 1, 2018 - December 31, 2018

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and spouse	529	689
Retiree* and children	468	408
Retiree and family	1,020	999

* or surviving spouse

Contributions

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

Mesquite Independent School District

Notes to the Financial Statements

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	2019	2018
Active employee	0.65%	0.65%
Non-employer contribution entity (state)	1.25%	1.25%
Employers/District	0.75%	0.75%
Federal/private funding remitted by employer	1.25%	1.25%

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

District contributions	\$ 2,116,596
Member contributions	1,627,958
NECE on-behalf contributions (state)	3,361,009

In addition, the State of Texas contributed \$969,587, \$767,374, and \$738,992 in 2019, 2018, and 2017, respectively, for on-behalf payments for Medicare Part D.

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

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

Mesquite Independent School District

Notes to the Financial Statements

Actuarial Assumptions

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

Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Expected payroll growth
Rates of disability incidence	
Additional Actuarial Methods and Assumptions:	
Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual entry age normal
Inflation	2.5%
	Single discount rate* 3.69%. Sources from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.
Aging factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll growth rate	2.50%
Projected salary increases**	3.50% to 9.50% including inflation
Election Rates	Normal retirement 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of .44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able* to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Mesquite Independent School District

Notes to the Financial Statements

Sensitivity of the Net OPEB Liability

Discount Rate

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the net OPEB liability.

1% Decrease (2.69%)	Current Single Discount Rate 3.69%	1% Increase (4.69%)
\$ 182,356,276	\$ 153,196,337	\$ 130,128,946

Healthcare Cost Trend Rates

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 127,538,869	\$ 153,196,337	\$ 187,391,861

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

At August 31, 2019, the District reported a liability of \$153,196,337 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ 153,196,337
State's proportionate share of the net OPEB liability associated with the District	<u>209,766,192</u>
Total	<u><u>\$ 362,962,529</u></u>

The net OPEB liability was measured as of August 31, 2017 and rollforward to August 31, 2018 and the total OPEB Liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

Mesquite Independent School District

Notes to the Financial Statements

At August 31, 2018 the employer's proportion of the collective net OPEB liability was .3068166% which was .00112065 increase from August 31, 2017.

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date – Please see the 2018 TRS CAFR, page 68, section B. for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

For the District's year ended August 31, 2019, the District recognized total OPEB expense of \$15,361,731 which includes both the District's proportionate share of collective OPEB expense and the portion of the State's proportionate share of collective OPEB expense that is associated with the District, as described above.

At August 31, 2019, the District reported the District's contribution after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,129,560	\$ (2,417,663)
Changes of assumptions	2,556,432	(46,026,709)
Net difference between projected and actual earnings on pension plan investments	26,792	-
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	6,141,988	-
District contributions after measurement date	2,160,620	-
Totals	<u>\$ 19,015,392</u>	<u>\$ (48,444,372)</u>

Mesquite Independent School District

Notes to the Financial Statements

\$2,160,620 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended August 31, 2019. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to OPEB will be recognized in OPEB expense as follows:

Year Ending Aug 31,	
2020	\$ (5,265,382)
2021	(5,265,382)
2022	(5,265,382)
2023	(5,270,449)
2024	(5,273,347)
Thereafter	<u>(5,249,658)</u>
Total	<u><u>\$ (31,589,600)</u></u>

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, 2019, 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 \$704,138 and includes incurred but not reported claims. These liabilities reported in the funds at August 31, 2019 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 2019 and 2018 were:

Self-Insurance Liability	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Less: Claim Payments	Balance at Fiscal Year-End
2018 - workers' compensation	\$ 696,179	915,323	921,808	\$ 689,694
2019 - workers' compensation	\$ 689,694	1,213,012	1,198,568	\$ 704,138

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, 2019 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 \$157,862,546 at August 31, 2019.

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, 2019, totaled \$2,270,579. 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. 83, Certain Asset Retirement Obligations, in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. This standard became effective for the District in fiscal year 2019. The implementation had no effect on the District's financial statements.

The GASB issued Statement No. 84, Fiduciary Activities, in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. This standard becomes effective for the District in fiscal year 2020. The District has not yet determined the impact of this statement.

The GASB issued Statement No. 87, Leases, in June 2017. This Statement establishes standards of accounting and financial reporting for lease by lessees and lessors. This standard becomes effective for the District in fiscal year 2021. The District has not yet determined the impact of this statement.

The GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, in April 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This standard became effective for the District in fiscal year 2019. The implementation had no effect on the District's financial statements.

The GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, in June 2018. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This standard becomes effective for the District in fiscal year 2021. The District has not yet determined the impact of this statement.

The GASB issued Statement No. 90, Majority Equity Interests- an amendment of GASB Statements No. 14 and 61, in August 2018. This Statement's objective is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This standard becomes effective for the District in fiscal year 2021. The District has not yet determined the impact of this statement.

The GASB issued Statement No. 91, Conduit Debt Obligations, in May 2019 and 2018. This Statement's objective is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This standard becomes effective for the District in fiscal year 2022. The District has not yet determined the impact of this statement.

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Required Supplementary Information

Mesquite Independent School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended August 31, 2019

Exhibit G-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	\$ 95,220,900	\$ 96,338,400	\$ 96,682,294	\$ 343,894
5800	State program revenues	257,350,400	256,842,700	260,207,642	3,364,942
5900	Federal program revenues	3,550,000	5,626,300	5,471,041	(155,259)
5020	Total revenues	356,121,300	358,807,400	362,360,977	3,553,577
EXPENDITURES					
CURRENT:					
0011	Instruction	213,850,965	209,767,200	209,440,357	326,843
0012	Instructional resources and media services	6,061,400	5,926,900	5,882,019	44,881
0013	Curriculum and staff development	4,624,450	4,038,400	3,701,139	337,261
0021	Instructional leadership	7,340,600	6,690,900	6,677,436	13,464
0023	School leadership	19,400,950	19,254,500	19,250,145	4,355
0031	Guidance, counseling, and evaluation services	15,205,300	15,257,200	15,162,952	94,248
0032	Social work services	228,950	215,600	215,053	547
0033	Health services	3,885,900	3,906,400	3,896,097	10,303
0034	Student transportation	5,364,800	6,798,900	6,599,519	199,381
0035	Food service	1,221,050	1,287,800	1,262,470	25,330
0036	Extracurricular activities	9,589,300	11,255,000	11,241,059	13,941
0041	General administration	8,388,000	8,555,700	8,481,425	74,275
0051	Plant maintenance and operations	35,586,800	34,964,300	34,940,328	23,972
0052	Security and monitoring services	3,678,750	4,166,100	3,786,216	379,884
0053	Data processing services	8,140,900	8,268,800	8,220,692	48,108
0061	Community services	289,100	277,200	268,672	8,528
CAPITAL OUTLAY					
0081	Facilities acquisition and construction	18,820,400	15,421,000	15,325,998	95,002
INTERGOVERNMENTAL:					
0095	Payments to juvenile justice alternative ed. prg	130,000	53,800	50,424	3,376
0097	Payments to tax increment fund	3,600,000	3,316,800	3,216,624	100,176
0099	Other intergovernmental	410,000	406,300	406,205	95
6030	Total expenditures	365,817,615	359,828,800	358,024,830	1,803,970
1100	Excess (deficiency) of revenues over expenditures	(9,696,315)	(1,021,400)	4,336,147	5,357,547
OTHER FINANCING SOURCES (USES):					
7912	Sale of real or personal property	80,000	3,119,600	3,131,150	11,550
7915	Transfers in	400,000	400,000	391,200	(8,800)
8911	Transfers out	(950,000)	(931,700)	(742,684)	189,016
7080	Total other financing sources (uses)	(470,000)	2,587,900	2,779,666	191,766
1200	Net change in fund balances	(10,166,315)	1,566,500	7,115,813	5,549,313
0100	Fund balances--beginning	112,296,013	112,296,013	112,296,013	-
3000	Fund balances--ending	\$ 102,129,698	\$ 113,862,513	\$ 119,411,826	\$ 5,549,313

Mesquite Independent School District
 Budgetary Comparison Schedule
 Food Service Fund
 For the Year Ended August 31, 2019

Exhibit G-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	\$ 3,479,300	\$ 3,289,700	\$ 3,370,976	\$ 81,276
5800	State program revenues	344,200	272,000	308,582	36,582
5900	Federal program revenues	18,556,350	19,015,500	19,065,048	49,548
5020	Total revenues	<u>22,379,850</u>	<u>22,577,200</u>	<u>22,744,606</u>	<u>167,406</u>
EXPENDITURES					
CURRENT:					
0035	Food service	<u>21,787,300</u>	<u>22,750,200</u>	<u>22,294,296</u>	<u>455,904</u>
6030	Total expenditures	<u>21,787,300</u>	<u>22,750,200</u>	<u>22,294,296</u>	<u>455,904</u>
OTHER FINANCING SOURCES (USES):					
7915	Transfers in	-	-	41,329	(41,329)
8911	Transfers out	<u>(325,000)</u>	<u>(340,000)</u>	<u>(391,200)</u>	<u>51,200</u>
7080	Total other financing sources (uses)	<u>(325,000)</u>	<u>(340,000)</u>	<u>(349,871)</u>	<u>9,871</u>
1200	Net change in fund balances	267,550	(513,000)	100,439	613,439
0100	Fund balances--beginning	<u>7,153,976</u>	<u>7,153,976</u>	<u>7,153,976</u>	<u>-</u>
3000	Fund balances--ending	<u>\$ 7,421,526</u>	<u>\$ 6,640,976</u>	<u>\$ 7,254,415</u>	<u>\$ 613,439</u>

Mesquite Independent School District
Schedule of the District's Proportionate
Share of the Net Pension Liability – TRS
For the Year Ended August 31, 2019

Exhibit G-3

	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.02320010%	0.02320010%	0.02289787%	0.02364673%	0.01668410%
District's Proportionate Share of Net Pension Liability	133,666,300	74,564,825	\$ 86,527,634	\$ 83,588,043	\$ 44,565,618
States Proportionate Share of the Net Pension Liability associated with the District	187,735,644	115,952,342	136,764,303	131,061,596	111,712,185
Total	<u>\$ 321,401,944</u>	<u>\$ 190,517,167</u>	<u>\$ 223,291,937</u>	<u>\$ 214,649,639</u>	<u>\$ 156,277,803</u>
District's Covered Employee Payroll	250,455,014	245,254,302	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	53%	30%	37%	37%	21%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	73.74%	82.17%	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, 2019 - the period from September 1, 2018 - August 31, 2019.

Note: Ten years of data not available

Mesquite Independent School District
Schedule of the District's Contributions – TRS
For the Year Ended August 31, 2019

Exhibit G-4

	<u>2018</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 3,807,728	\$ 3,693,151	\$ 3,257,314	\$ 2,995,797	\$ 2,902,999
Contribution in Relation to the Contractually Required Contribution	<u>(3,807,728)</u>	<u>(3,693,151)</u>	<u>(3,257,314)</u>	<u>(2,995,797)</u>	<u>(2,902,999)</u>
Contribution Deficiency (Excess)	-	-	-	-	-
District's Covered Employee Payroll	\$ 255,085,006	\$ 250,455,014	\$ 245,254,302	\$ 233,853,857	\$ 225,025,506
Contributions as a percentage of Covered Employee Payroll	1.49%	1.47%	1.33%	1.28%	1.29%

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2016 - August 31, 2017.

Note: Ten years of data not available

Mesquite Independent School District**Exhibit G-5**

Schedule of the District's Proportionate Share of the Net OPEB Liability of a Cost-Sharing Multiple-Employer OPEB Plan – TRS Last Two Fiscal Years*

	2019	2018
District's Proportion of the Net OPEB Liability	0.30681660%	0.29561006%
District's Proportionate Share of Net OPEB Liability	\$ 153,196,337	\$ 128,549,725
District's Covered Employee Payroll	250,455,014	245,254,302
District's Proportionate Share of the Net OPEB Liability as a percentage of its Covered Employee Payroll	61%	52%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	1.57%	0.91%

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

Note: Ten years of data not available

Mesquite Independent School District
 Schedule of the District's Contributions to the
 Teacher Retirement System of Texas OPEB Plan – TRS
 Last Two Fiscal Years*

Exhibit G-6

	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 2,160,620	\$ 2,080,357
Contribution in Relation to the Contractually Required Contribution	<u>(2,160,620)</u>	<u>(2,080,357)</u>
Contribution Deficiency (Excess)	-	-
District's Covered Employee Payroll	\$ 250,455,014	245,254,302
Contributions as a percentage of Covered Employee Payroll	0.86%	0.85%

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

Note: Ten years of data not available

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	\$ 1,117,500
State Revenues	(507,700)
Federal Revenues	2,076,300
Expense:	
Instruction	(4,083,765)
Curriculum and Staff Development	(586,050)
Instructional Leadership	(649,700)
Student Pupil Transportation	1,434,100
Co curricular/Extracurricular	1,665,700

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

Pension Liability

Pension Changes of Benefit Terms

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

Pension Changes of Assumptions

Assumptions, methods, and plan changes, which are specific to the Pension Trust Fund, were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

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

Other Post Employment Benefits

OPEB Changes of Benefit Terms

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

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

Mesquite Independent School District

Notes To The Required Supplementary Information

OPEB Changes In Assumptions

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

- Adjustments were made for retirees that were known to have discontinued their healthcare coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The healthcare trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate changed from 3.42 percent as of August 31, 2017, to 3.69 percent as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3billion.

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

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

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

Combining Statements and Schedules

Mesquite Independent School District

Combining Balance Sheet
 Nonmajor Governmental Funds
 August 31, 2019

Exhibit H-1

	289 Other Federal Special Revenue Funds	429 Other State Special Revenue Funds	499 Local Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS				
Due from other governments	\$ 4,972,192	\$ 344,607	\$ -	\$ 5,316,799
Due from other funds	-	-	210,459	210,459
Other receivables	-	-	100	100
Total assets	<u>\$ 4,972,192</u>	<u>\$ 344,607</u>	<u>\$ 210,559</u>	<u>\$ 5,527,358</u>
LIABILITIES AND FUND				
BALANCES				
Liabilities				
Accounts payable	\$ 77,755	\$ 11,792	\$ 38,984	\$ 128,531
Accrued wages payable	7,862	-	-	7,862
Due to other funds	4,886,575	318,446	-	5,205,021
Unearned revenues	-	60	-	60
Total liabilities	<u>4,972,192</u>	<u>330,298</u>	<u>38,984</u>	<u>5,341,474</u>
Fund balances				
Restricted				
State Special Revenue	-	14,309	-	14,309
Committed				
Local Special Revenue	-	-	171,575	171,575
Total fund balances	<u>-</u>	<u>14,309</u>	<u>171,575</u>	<u>185,884</u>
Total liabilities and fund balances	<u>\$ 4,972,192</u>	<u>\$ 344,607</u>	<u>\$ 210,559</u>	<u>\$ 5,527,358</u>

Mesquite Independent School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended August 31, 2019

Exhibit H-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	\$ -	\$ -	\$ 905,274	\$ 905,274
State program revenues	-	1,197,916	-	1,197,916
Federal program revenues	20,602,234	-	-	20,602,234
Total revenues	<u>20,602,234</u>	<u>1,197,916</u>	<u>905,274</u>	<u>22,705,424</u>
EXPENDITURES				
Current:				
11 Instruction	15,310,277	1,115,904	1,028,856	17,455,037
12 Instructional resources and media services	19,684	-	-	19,684
13 Curriculum and staff development	1,615,929	-	14,755	1,630,684
21 Instructional leadership	547,659	-	274,067	821,726
23 School leadership	240,929	-	-	240,929
31 Guidance, counseling, and evaluation services	1,258,832	86,326	8,349	1,353,507
32 Social work services	456,904	-	-	456,904
34 Student transportation	322,507	-	-	322,507
35 Food service	13,988	-	-	13,988
36 Extracurricular activities	388	-	37,039	37,427
51 Plant maintenance and operations	-	-	122	122
61 Community services	451,193	-	6,366	457,559
Capital Outlay:				
81 Facilities acquisition and construction	363,944	-	-	363,944
Total expenditures	<u>20,602,234</u>	<u>1,202,230</u>	<u>1,369,554</u>	<u>23,174,018</u>
Excess (deficiency) of revenues over expenditures	-	(4,314)	(464,280)	(468,594)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	439,370	439,370
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>439,370</u>	<u>439,370</u>
Net change in fund balances	-	(4,314)	(24,910)	(29,224)
Fund balances—beginning	<u>-</u>	<u>18,623</u>	<u>196,485</u>	<u>215,108</u>
Fund balances—ending	<u>\$ -</u>	<u>\$ 14,309</u>	<u>\$ 171,575</u>	<u>\$ 185,884</u>

Mesquite Independent School District

Combining Statement of Net Position

Internal Service Funds

August 31, 2019

Exhibit H-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	\$ 284,815	\$ 5,212,740	\$ 5,497,555
Inventory	154,861	-	154,861
Due from other funds	50,393	-	50,393
Other current assets	-	9,758	9,758
Total assets	<u>490,069</u>	<u>5,222,498</u>	<u>5,712,567</u>
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	66,313	-	66,313
Due to other funds		3,266,577	3,266,577
Accrued expenses	-	704,140	704,140
Total liabilities	<u>66,313</u>	<u>3,970,717</u>	<u>4,037,030</u>
NET POSITION			
Unrestricted	<u>423,756</u>	<u>1,251,781</u>	<u>1,675,537</u>
Total net position	<u>\$ 423,756</u>	<u>\$ 1,251,781</u>	<u>\$ 1,675,537</u>

Mesquite Independent School District
Combining Statement of Revenues, Expenses
and Changes in Net Position
Internal Service Funds
For the Year Ended August 31, 2019

Exhibit H-4

	781 Employee Health Center Fund	790 Workers Compensation Fund	Total Internal Service Fund
OPERATING REVENUES			
Charges for services	\$ 3,725,105	\$ 1,100,000	\$ 4,825,105
Total operating revenues	<u>3,725,105</u>	<u>1,100,000</u>	<u>4,825,105</u>
OPERATING EXPENSES			
Personal services	1,286,152	236,486	1,522,638
Professional and contractual services	87,661	15,221	102,882
Supplies and materials	2,986,890	10,396	2,997,286
Insurance claims and expenses	33,608	1,198,568	1,232,176
Other operating costs	4,156	16,721	20,877
Total operating expenses	<u>4,398,467</u>	<u>1,477,392</u>	<u>5,875,859</u>
Operating loss	<u>(673,362)</u>	<u>(377,392)</u>	<u>(1,050,754)</u>
NONOPERATING REVENUES			
Earnings from temporary deposits and investments	7,248	159	7,407
Total nonoperating revenue	<u>7,248</u>	<u>159</u>	<u>7,407</u>
LOSS BEFORE TRANSFERS	(666,114)	(377,233)	(1,043,347)
Transfers in	261,985	-	261,985
Total transfers	261,985	-	261,985
Change in net position	(404,129)	(377,233)	(781,362)
Net position—beginning	<u>827,885</u>	<u>1,629,014</u>	<u>2,456,899</u>
Net position—ending	<u>\$ 423,756</u>	<u>\$ 1,251,781</u>	<u>\$ 1,675,537</u>

Mesquite Independent School District
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended August 31, 2019

Exhibit H-5

	781 Employee Health Center Fund	790 Workers Compensation Fund	Total Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from transactions with other funds	\$ 3,761,523	\$ 1,371,580	\$ 5,133,103
Payments to suppliers	(3,005,302)	(12,699)	(3,018,001)
Payments to employees	(1,373,813)	(251,707)	(1,625,520)
Claims paid	(33,608)	(1,198,568)	(1,232,176)
Net cash used in operating activities	<u>(651,200)</u>	<u>(91,394)</u>	<u>(742,594)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	261,985	-	261,985
Net cash provided by non-capital financing activities	<u>261,985</u>	<u>-</u>	<u>261,985</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	7,248	159	7,407
Net cash provided by investing activities	<u>7,248</u>	<u>159</u>	<u>7,407</u>
Net decrease in cash and cash equivalents	(381,967)	(91,235)	(473,202)
Balances—beginning of the year	<u>666,782</u>	<u>5,303,975</u>	<u>5,970,757</u>
Balances—end of the year	<u><u>\$ 284,815</u></u>	<u><u>\$ 5,212,740</u></u>	<u><u>\$ 5,497,555</u></u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (673,362)	\$ (377,392)	\$ (1,050,754)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Decrease in inventory	4,744	-	4,744
Increase in interfund receivables	36,418	271,580	307,998
Decrease in accounts payable	(19,000)	(28)	(19,028)
Increase in accrued expenses	-	14,446	14,446
Net cash used in operating activities	<u><u>\$ (651,200)</u></u>	<u><u>\$ (91,394)</u></u>	<u><u>\$ (742,594)</u></u>

Mesquite Independent School District
 Combining Statement of Net Position
 Private Purpose Trust Funds
 August 31, 2019

Exhibit H-6

	806 Meadows O'Donnell Foundation	810 Scholarship Fund	Total Private Purpose Trust Funds
ASSETS			
Cash and cash equivalents	\$ 121	\$ 157,460	\$ 157,581
Total assets	<u>\$ 121</u>	<u>\$ 157,460</u>	<u>\$ 157,581</u>
NET POSITION			
Unrestricted net position	<u>121</u>	<u>157,460</u>	<u>157,581</u>
Total net position	<u>121</u>	<u>157,460</u>	<u>157,581</u>
Total liabilities and net position	<u>\$ 121</u>	<u>\$ 157,460</u>	<u>\$ 157,581</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, 2019

Exhibit H-7

	806 Meadows O'Donnell Foundation	810 Scholarship Fund	Total Private Purpose Trust Funds
ADDITIONS			
Local and intermediate sources	\$ -	\$ 31,397	\$ 31,397
Total additions	-	31,397	31,397
DEDUCTIONS			
Supplies and materials	-	3,950	3,950
Other operating costs	-	12,396	12,396
Total deductions	-	16,346	16,346
Changes in net position	-	15,051	15,051
Net position September 1 (beginning)	121	142,409	142,530
Net position August 31 (ending)	\$ 121	\$ 157,460	\$ 157,581

Required TEA Schedules

Mesquite Independent School District
 Schedule of Delinquent Taxes Receivable
 Fiscal Year Ended August 31, 2019

Last Ten Years Ended August 31	Tax Rates		3 Net Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2010 and prior years	various	various	\$ various
2011	1.0400	0.3600	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	1.0400	0.4200	7,006,189,277
2018	1.0400	0.4200	7,733,696,015
2019 (School year under audit)	1.0400	0.4800	8,535,408,168

1000 TOTALS

9000 - Portion of Row 1000 for Taxes Paid
 into Tax Increment Zone Under Chapter 311, Tax Code (Function 97)

Exhibit J-1

10 Beginning Balance 09/01/18	20 Current Year's Total Levy	31 Maintenance Total Collections	32 Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 08/31/19
3,238,354 \$		\$ 134,292 \$	41,829 \$	(158,125) \$	2,904,108
296,794		14,337	5,238	(7,835)	269,384
271,162		20,229	7,392	(7,686)	235,855
344,139		25,831	9,438	(28,008)	280,862
377,401		37,719	13,419	(3,513)	322,750
471,241		59,116	21,032	9,958	401,051
508,679		78,254	27,840	12,424	415,009
735,034		69,154	27,927	(97,661)	540,292
1,471,353		46,833	18,913	(542,344)	863,263
-	130,084,409	84,608,426	39,049,957	(4,445,392)	1,980,634
<u>\$ 7,714,157</u>	<u>\$ 130,084,409</u>	<u>\$ 85,094,191</u>	<u>\$ 39,222,985</u>	<u>\$ (5,268,182)</u>	<u>\$ 8,213,208</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,200,848</u>	<u>\$ 1,015,776</u>	<u>\$ -</u>	<u>\$ -</u>

Mesquite Independent School District
 Budgetary Comparison Schedule
 Debt Service Fund
 For the Year Ended August 31, 2019

Exhibit J-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	\$ 39,022,550	\$ 41,144,500	\$ 41,011,953	\$ (132,547)
5800	State program revenues	22,801,100	22,627,500	24,037,151	1,409,651
5020	Total revenues	<u>61,823,650</u>	<u>63,772,000</u>	<u>65,049,104</u>	<u>1,277,104</u>
EXPENDITURES					
CURRENT:					
DEBT SERVICE:					
0071	Principal on long-term debt	24,300,000	28,570,100	28,543,375	26,725
0072	Interest on long-term debt	34,200,000	34,200,000	34,011,863	188,137
0073	Bond issuance costs and fees	600,000	600,000	191,140	408,860
6030	Total expenditures	<u>59,100,000</u>	<u>63,370,100</u>	<u>62,746,378</u>	<u>623,722</u>
1100	Excess (deficiency) of revenues over expenditures	<u>2,723,650</u>	<u>401,900</u>	<u>2,302,726</u>	<u>1,900,826</u>
1200	Net change in fund balances	2,723,650	401,900	2,302,726	1,900,826
0100	Fund balances--beginning	<u>22,695,583</u>	<u>22,695,583</u>	<u>22,695,583</u>	-
3000	Fund balances--ending	<u>\$ 25,419,233</u>	<u>\$ 23,097,483</u>	<u>\$ 24,998,309</u>	<u>\$ 1,900,826</u>

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, 2019, 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 10, 2020.

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 10, 2020

**Independent Auditor's Report on Compliance for Each
Major Program and on Internal Control over Compliance
in Accordance with the Uniform Guidance**

Board of Trustees
Mesquite Independent School District
Mesquite, Texas

Report on Compliance for Each Major Federal Program

We have audited Mesquite Independent School District's (the District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of District's major federal programs for the year ended August 31, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 10, 2020

Mesquite Independent School District
 Schedule of Findings and Questioned Costs
 Year Ended August 31, 2019

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:

ESEA Title 1, Part A	84.010A
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- h. The dollar threshold used to distinguish between Type A and Type B programs. \$1,204,230
- i. Auditee qualified as a low-risk auditee. Yes No

Mesquite Independent School District

Schedule of Findings and Questioned Costs

Year Ended August 31, 2019

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

None were noted in current year.

Mesquite Independent School District
Summary Schedule of Prior Audit Findings
Year Ended August 31, 2019

No prior year audit findings.

Mesquite Independent School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended August 31, 2019

Exhibit K-1

{1}	{2}	{3}	{4}
Federal/ State Grantor	CFDA Number	Pass-Through Grantor/ Program Title	Federal Expenditures
U.S. Department of Defense			
Direct Program:			
Selective Reserve Educational Assistance Program	12.609	N/A	\$ 473,718
U.S. Department of Education			
Passed Through State Department of Education:			
Carl D. Perkins Basic Formula Grant	84.048A	19420006057914	520,512
ESEA Title 1 Part A-Improving Basic Programs	84.010A	19610101057914	10,504,555
ESEA Title 1 Part C-Education of Migratory Children	84.011	16615001057950	2,142
Special Education Cluster (IDEA)			
IDEA -Part B, Formula	84.027A	196600010579146000	7,311,223
IDEA -Part B, Discretionary (Deaf)	84.027A	196600110579146000	197,053
IDEA -Part B, Preschool	84.173A	196610010579146000	90,005
Total Special Education Cluster			7,658,281
IDEA -Part C, Early Intervention Deaf	84.181A	183911010579143000	2,425
ESEA Title II, Part A	84.367	16694501057950	731,254
Title III - Part A - English Language Acquisitions and Enhancement	84.365	16671001057950	655,334
Title IV - Part A - Subpart 1	84.424A	19680101057914	502,698
Grants for State Assessments and Related Activities	84.369A	69551802	25,033
Total Passed Through State Department of Education			20,602,234
U.S. Department of Agriculture			
Passed Through State Department of Agriculture:			
Child Nutrition Cluster			
National School Lunch Program - Cash	10.555	71301901	13,939,615
National School Lunch Program - Commodities	10.555	N/A	1,675,141
School Breakfast Program	10.553	71401901	3,450,292
Total Child Nutrition Cluster			19,065,048
Total Passed Through State Department of Agriculture			19,065,048
		Total Federal Assistance	\$ 40,141,000

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. 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 \$4,997,323, 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, 2019

Data
Control
Codes

Response

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.	\$ 24,170,545
SF11	Net Pension Assets (1920) at fiscal year end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 133,666,300