

# Mesquite Independent School District

Annual Financial Report

For the Ten Months Ended June 30, 2021

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**Mesquite Independent School District**  
**Annual Financial Report**  
**For the Ten Months Ended June 30, 2021**  
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# Introductory Section

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**CERTIFICATE OF BOARD**

MESQUITE INDEPENDENT SCHOOL DISTRICT  
Name of School District

Dallas  
County

057-914  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved  disapproved for the ten months ended June 30, 2021 at the meeting of the Board of Trustees of such school district on the 16<sup>th</sup> day of November, 2021.

  
\_\_\_\_\_  
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 ten months ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's 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 June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P.  
2300 North Field Street, Suite 1000 / Dallas, Texas 75201  
Main: 972.490.1970

***Emphasis of Matter***

As discussed in Note 17 to the basic financial statements, during the year ended June 30, 2021, the District implemented Governmental Accounting Standards Board (GASB) Statement No.84, *Fiduciary Activities*. Beginning net position for the fiduciary fund has been restated as a result of the implementation of this statement. Our opinions are not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-12, budgetary comparison, net pension liability and net OPEB liability information on pages 64-73 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, 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, 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, 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 November 15, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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  
November 15, 2021

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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 ten months ended June 30, 2021. 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 \$249,369,435, unrestricted net position was \$(109,169,283), net investment in capital assets was \$294,905,517, net position restricted for food service was \$4,729,563 and net position restricted for debt service was \$58,903,638.

#### Fund level statements

- The District's General Fund Balance was \$176,671,424, an increase of \$50,410,417 from the prior year.
- The District's Debt Service Fund Balance was \$76,646,558, an increase of \$47,484,330 from the prior year.
- The District's Capital Projects Fund Balance was \$177,617,908, an decrease of \$65,388,501 from the prior year.
- The District's Food Service Special Revenue Fund Balance was \$4,729,563, a decrease of \$2,038,664 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 and capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are classified as local, state or federal funds and then combined into a single, aggregated presentation. Fund data for these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 16-22 of this report.
- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. As mentioned above in the government-wide definition, the District has no *business-type activities* or *enterprise funds*. The second type of proprietary fund is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for its self-funded health and workers' compensation insurance programs. The basic proprietary fund financial statements can be found on pages 23-25 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary fund net position and a statement of changes in fiduciary fund net position that can be found on pages 26-27. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-61 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 64-73 of this report.

The combining statements in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining statements can be found on pages 76-80 of this report.

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$249,369,435 as of June 30, 2021.

#### The District's Net Position

	2021	2020	Difference
Current and other assets	\$ 470,129,872	\$ 412,766,810	\$ 57,363,062
Capital assets	935,038,277	890,691,557	44,346,720
Long-term investments	36,938,392	64,855,969	(27,917,577)
<b>Total assets</b>	<b>1,442,106,541</b>	<b>1,368,314,336</b>	<b>73,792,205</b>
Deferred Outflows of Resources	108,790,537	126,813,392	(18,022,855)
Long-term liabilities outstanding	1,111,401,989	1,150,347,595	(38,945,606)
Other liabilities	80,700,197	71,545,177	9,155,020
<b>Total liabilities</b>	<b>1,192,102,186</b>	<b>1,221,892,772</b>	<b>(29,790,586)</b>
Deferred Inflows of Resources	109,425,457	86,520,254	22,905,203
Net position:			
Net investment in capital assets	294,905,517	310,170,383	(15,264,866)
Restricted	63,633,201	30,353,229	33,279,972
Unrestricted	(109,169,283)	(153,808,910)	44,639,627
<b>Total net position</b>	<b>\$ 249,369,435</b>	<b>\$ 186,714,702</b>	<b>\$ 62,654,733</b>

**Governmental activities.** The District's total net position increased by \$62,654,733. 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 \$436,951,475. The amount that our taxpayers paid for these activities through property taxes was \$142,611,715 or 32.6%

## Management's Discussion And Analysis

### Changes in the District's Net Position

	2021	2020	Difference
Revenues:			
Program revenues:			
Charges for services	\$ 3,756,514	\$ 5,997,870	\$ (2,241,356)
Operating grants & contributions	96,323,258	126,444,183	(30,120,925)
General revenues:			
Property taxes	142,611,715	132,012,961	10,598,754
State grants	255,553,618	257,001,078	(1,447,460)
Other	1,361,103	8,222,721	(6,861,618)
Total revenues	<u>499,606,208</u>	<u>529,678,813</u>	<u>(30,072,605)</u>
Expenses:			
Instruction	253,851,257	292,570,352	(38,719,095)
Instructional resources & media services	5,688,615	6,716,294	(1,027,679)
Curriculum & staff development	5,454,467	6,454,199	(999,732)
Instructional leadership	8,846,579	9,659,755	(813,176)
School leadership	20,756,774	25,361,049	(4,604,275)
Guidance, counseling & evaluation services	19,492,634	22,129,251	(2,636,617)
Social work services	842,402	1,015,991	(173,589)
Health services	4,521,525	5,100,239	(578,714)
Student (pupil) transportation	6,012,495	8,039,998	(2,027,503)
Food Services	18,114,682	23,290,263	(5,175,581)
Co-curricular/extracurricular activities	7,930,129	10,416,121	(2,485,992)
General administration	9,974,731	11,508,498	(1,533,767)
Plant maintenance & operations	36,364,734	39,766,332	(3,401,598)
Security and monitoring services	3,792,137	4,513,198	(721,061)
Data processing services	9,298,669	10,055,978	(757,309)
Community services	709,083	1,031,716	(322,633)
Debt service-interest on long-term debt	23,573,122	23,263,856	309,266
Bond issuance costs and fees	249,902	2,145,868	(1,895,966)
Facilities acquisition & construction	1,015,889	1,334,647	(318,758)
Payments to juvenile justice alternative education program	25,488	23,484	2,004
Payments to tax increment fund	-	3,183,867	(3,183,867)
Other Intergovernmental charges	436,161	419,493	16,668
Total expenses	<u>436,951,475</u>	<u>508,000,449</u>	<u>(71,048,974)</u>
Increase in Net Position	62,654,733	21,678,364	40,976,369
Beginning Net Position	<u>186,714,702</u>	<u>165,036,338</u>	<u>21,678,364</u>
<b>Ending Net Position</b>	<u><u>\$ 249,369,435</u></u>	<u><u>\$ 186,714,702</u></u>	<u><u>\$ 62,654,733</u></u>

### 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.

## Management's Discussion And Analysis

**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 \$436,318,188, an increase of \$30,691,295. Approximately 30.2 percent or \$131,938,914 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 \$2,607,392, and prepaid expenditures \$146,592; restricted, debt service \$76,646,558, food service \$4,729,563, capital acquisitions \$177,617,908, and state special revenue, \$236,845; committed, general fund \$29,500,000 and local special revenue, \$415,890; assigned, \$12,478,526.

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 \$131,938,914, while the total fund balance was \$176,671,424. 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 40.8 percent of the total general fund expenditures, while total fund balance represents 54.6 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 June 30, 2021, amounted to \$1,719,817.

### General Fund Budgetary Highlights

The budget was amended several times during the ten months ended. The district made the following amendments to budgeted revenue:

- \$ 9,646,500 decrease fo Local and intermediate sources
- \$ 1,131,200 decrease fo State program revenues

Following is a summary of amendments made to appropriations:

- \$ 5,520,000 increase for Instruction
- \$ 146,000 increase for Instructional resources and media services
- \$ 64,000 increase for Curriculum and staff development
- \$ 188,000 increase for Instructional leadership
- \$ 654,000 increase for School leadership
- \$ 410,000 increase for Guidance, counseling, and evaluation services
- \$ 20,000 increase for Social work services
- \$ 122,000 increase for Health services
- \$ 380,000 increase for Student transportation
- \$ 140,000 increase for Food service
- \$ 28,000 increase for Extracurricular activities
- \$ 455,000 increase for General administration
- \$ 3,900,000 increase for Plant maintenance and operations
- \$ 262,000 increase for Security and monitoring services
- \$ 160,000 increase for Data processing services
- \$ 14,000 increase for Community services
- \$ 24,000 increase for Facilities acquisition and construction

## 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 June 30, 2021, amounts to \$935,038,277 (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)

	2021	2020	Difference
Land	\$ 20,405,711	\$ 20,405,711	\$ -
Buildings and improvements	695,094,202	621,500,480	73,593,722
Furniture & equipment	80,945,779	69,222,690	11,723,089
Construction in progress	138,592,585	179,562,676	(40,970,091)
Totals at historical cost	<u>\$ 935,038,277</u>	<u>\$ 890,691,557</u>	<u>\$ 44,346,720</u>

**Long-term debt.** At the end of June 30, 2021, the District had total bonded debt outstanding of \$748,039,389, a decrease of \$230,000 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 7.03% annually from fiscal 2017-2021, with an increase in tax year 2021 of 17.2%. Top ten taxpayers account for about 4.41% of a diversified tax roll, where residential property comprises roughly 68.5% of the District's AV and commercial property accounts for approximately 28.2%. The economic base includes retail, telecommunications, manufacturing, warehousing, and distribution enterprises.

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

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

- The District's student attendance rate was 95.41% percent for 2021.
- The District's enrollment has experienced a decrease of 0.03% percent

#### Budget for 2022-(General/Debt Service/Child Nutrition Funds)

- Local revenues increased \$1,887,200, state aid decreased \$12,761,310, federal revenue decreased \$3,242,600 and other sources remained the same for a total net decrease of \$14,116,710.
- Expenditures for 2022 increased \$7,907,597 in the general fund due to salary increases, Debt Service expenditures decreased \$5,082,000, and Child Nutrition decreased \$8,884,802, for a total net decrease of \$6,059,205.

### 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  
June 30, 2021

Exhibit A-1

Data  
Control  
Codes

		<u>Governmental Activities</u>
<b>ASSETS</b>		
1110	Cash and cash equivalents	\$ 198,510,378
1120	Investments	230,327,546
1220	Delinquent property taxes receivable	8,716,337
1230	Allowance for uncollectable taxes (credit)	(1,835,368)
1240	Due from other governments	27,943,724
1250	Accrued interest	1,201,603
1290	Other receivables (net)	2,042,806
1300	Inventories	3,066,496
1410	Prepaid expenditures or expenses	146,592
1490	Other current assets	9,758
	Capital assets:	
1510	Land	20,405,711
1520	Buildings and improvements (net)	695,094,202
1530	Furniture and equipment (net)	80,945,779
1580	Construction in progress	138,592,585
1910	Long-term investments	36,938,392
1000	Total Assets	<u>1,442,106,541</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
1701	Accumulated decrease in fair value of hedging derivative	4,425,530
1702	Deferred loss on refunding	40,522,704
1705	Related to TRS Pension	44,469,337
1706	Related to TRS OPEB	19,372,966
1700	Total deferred outflows of resources	<u>108,790,537</u>
<b>LIABILITIES</b>		
2110	Accounts payable	23,550,940
2140	Interest payable	14,125,377
2150	Payroll deductions and withholdings	3,111,139
2160	Accrued wages payable	34,027,226
2180	Due to other governments	456
2200	Accrued expenditures or expenses	1,076,388
2300	Unearned revenue	383,141
2302	Derivative instrument	4,425,530
	Noncurrent liabilities:	
2501	Due within one year	29,460,188
2502	Due in more than one year	849,212,823
2540	Net pension liability (District's share)	120,590,063
2545	Net OPEB liability (District's share)	112,138,915
2000	Total Liabilities	<u>1,192,102,186</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2605	Related to TRS Pension	21,051,753
2606	Related to TRS OPEB	88,373,704
2600	Total deferred inflows of resources	<u>109,425,457</u>
<b>NET POSITION</b>		
3200	Net investment in capital assets	294,905,517
	Restricted for:	
3820	Food service	4,729,563
3850	Debt service	58,903,638
3900	Unrestricted net position	(109,169,283)
3000	Total net position	<u>\$ 249,369,435</u>

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

Mesquite Independent School District  
Statement of Activities  
For the Ten Months Ended June 30, 2021

Exhibit B-1

Data Control Codes	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		3 Charges for Services	4 Operating Grants and Contributions	6 Governmental Activities	
<b>GOVERNMENTAL ACTIVITIES:</b>					
11	Instruction	\$ 253,851,257	\$ 509,054	\$ 42,890,630	\$ (210,451,573)
12	Instructional resources and media services	5,688,615	-	594,069	(5,094,546)
13	Curriculum and staff development	5,454,467	-	3,993,809	(1,460,658)
21	Instructional leadership	8,846,579	-	2,457,049	(6,389,530)
23	School leadership	20,756,774	-	2,239,051	(18,517,723)
31	Guidance, counseling, and evaluation services	19,492,634	-	3,179,470	(16,313,164)
32	Social work services	842,402	-	1,659,089	816,687
33	Health services	4,521,525	-	475,546	(4,045,979)
34	Student transportation	6,012,495	-	501,657	(5,510,838)
35	Food service	18,114,682	1,099,770	13,121,034	(3,893,878)
36	Extracurricular activities	7,930,129	1,949,439	753,201	(5,227,489)
41	General administration	9,974,731	-	888,772	(9,085,959)
51	Plant maintenance and operations	36,364,734	198,251	3,526,336	(32,640,147)
52	Security and monitoring services	3,792,137	-	387,377	(3,404,760)
53	Data processing services	9,298,669	-	935,963	(8,362,706)
61	Community services	709,083	-	1,330,094	621,011
72	Interest on long-term debt	23,573,122	-	17,274,832	(6,298,290)
73	Bond issuance costs and fees	249,902	-	-	(249,902)
81	Facilities acquisition and construction	1,015,889	-	115,279	(900,610)
95	Payments to juvenile justice alternative education programs	25,488	-	-	(25,488)
99	Other intergovernmental charges	436,161	-	-	(436,161)
	<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<u>436,951,475</u>	<u>3,756,514</u>	<u>96,323,258</u>	<u>(336,871,703)</u>
Data Control Codes	General Revenues:				
MT	Taxes				
DT	Property Taxes, Levied for General Purposes				
SF	Property Taxes, Levied for Debt Service				
MI	State Aid - Formula Grants				
IE	Miscellaneous				
TR	Investment Earnings				
CN	Total general revenues				
NB	Change in net position				
NE	Net position-beginning				
	Net position-ending				

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

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Mesquite Independent School District  
Balance Sheet  
Governmental Funds  
June 30, 2021

Data Control Codes		10	24	50
		General Fund	Food Service	Debt Service Fund
<b>ASSETS</b>				
1110	Cash and cash equivalents	\$ 94,100,541	\$ 2,629,519	\$ 19,635,196
1120	Investments	111,319,291	3,004,457	38,794,810
1220	Property taxes delinquent	6,066,552	-	2,649,785
1230	Allowance for uncollectable taxes (credit)	(1,277,412)	-	(557,956)
1240	Due from other governments	15,813,513	1,234,552	-
1250	Accrued interest	896,282	-	57,746
1260	Due from other funds	16,902,633	-	18,158,807
1290	Other receivables	1,533,681	-	-
1300	Inventories	2,607,392	325,027	-
1410	Prepaid expenditures	146,592	-	-
1000	Total assets	<u>\$ 248,109,065</u>	<u>\$ 7,193,555</u>	<u>\$ 78,738,388</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>				
LIABILITIES:				
2110	Accounts payable	\$ 13,356,132	\$ 30,422	\$ -
2150	Payroll deductions and withholdings payable	3,111,139	-	-
2160	Accrued wages payable	30,954,006	879,736	-
2170	Due to other funds	19,055,992	1,341,581	-
2180	Due to other governments	456	-	-
2300	Unearned revenue	170,777	212,253	-
2000	Total liabilities	<u>66,648,502</u>	<u>2,463,992</u>	<u>-</u>
DEFERRED INFLOWS:				
2600	Unavailable revenue	4,789,139	-	2,091,830
	Total deferred inflows	<u>4,789,139</u>	<u>-</u>	<u>2,091,830</u>
FUND BALANCES:				
Nonspendable				
3410	Inventories	2,607,392	-	-
3430	Prepaid expenditures	146,592	-	-
Restricted				
3480	Debt service	-	-	76,646,558
3470	Capital acquisitions program	-	-	-
3450	Food service	-	4,729,563	-
3490	State Special Revenue	-	-	-
Committed				
3510	Construction	12,000,000	-	-
3530	Capital expenditures for equipment	7,500,000	-	-
3540	Self-insurance	5,000,000	-	-
3545	Other committed fund balance	5,000,000	-	-
3590	Assigned	12,478,526	-	-
3600	Unassigned	131,938,914	-	-
3000	Total fund balances	<u>176,671,424</u>	<u>4,729,563</u>	<u>76,646,558</u>
4000	Total liabilities, deferred inflows, and fund balances	<u>\$ 248,109,065</u>	<u>\$ 7,193,555</u>	<u>\$ 78,738,388</u>

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

60	Non-Major Governmental Funds	98 Total Governmental Funds
Capital Projects		
\$ 76,931,582	\$ -	\$ 193,296,838
114,147,380	-	267,265,938
-	-	8,716,337
-	-	(1,835,368)
-	10,895,659	27,943,724
247,575	-	1,201,603
-	555,233	35,616,673
-	-	1,533,681
-	-	2,932,419
-	-	146,592
<u>\$ 191,326,537</u>	<u>\$ 11,450,892</u>	<u>\$ 536,818,437</u>
\$ 9,968,599	\$ 159,735	\$ 23,514,888
-	-	3,111,139
-	2,193,484	34,027,226
3,740,030	8,444,827	32,582,430
-	-	456
-	111	383,141
<u>13,708,629</u>	<u>10,798,157</u>	<u>93,619,280</u>
-	-	6,880,969
-	-	6,880,969
-	-	2,607,392
-	-	146,592
-	-	76,646,558
177,617,908	-	177,617,908
-	-	4,729,563
-	236,845	236,845
-	-	12,000,000
-	-	7,500,000
-	-	5,000,000
-	415,890	5,415,890
-	-	12,478,526
-	-	131,938,914
<u>177,617,908</u>	<u>652,735</u>	<u>436,318,188</u>
<u>\$ 191,326,537</u>	<u>\$ 11,450,892</u>	<u>\$ 536,818,437</u>

# Mesquite Independent School District

# Exhibit C-1R

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2021

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	\$ 436,318,188
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.	1,719,817
Capital assets (net) used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	935,038,277
Bonds payable have not been included in the governmental fund financial statements.	(748,039,389)
Accreted interest for capital appreciation bonds have not been included in the governmental fund financial statements.	(19,831,735)
Unavailable revenue in the fund financial statements was recorded as revenue in the district-wide financial statements.	6,880,969
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.	(1,127,099)
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.	(14,125,377)
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.	(109,674,788)
For debt refundings, the difference between the acquisition price and the net carrying amount of the debt has been deferred and amortized in the district-wide financial statements.	40,522,704
Included in the items related to debt is the recognition of the District's proportionate share of the TRS net pension liability (\$120,590,063) and a deferred inflow of resources (\$21,051,753), and a deferred outflow of resources \$44,469,337. The result is a decrease in net position.	(97,172,479)
Included in the items related to debt is the recognition of the District's proportionate share of the TRS net OPEB liability (\$112,138,915) and a deferred inflow of resources (\$88,373,704), and a deferred outflow of resources \$19,372,966. The result is a decrease in net position.	(181,139,653)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ 249,369,435</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 Ten Months Ended June 30, 2021

Data Control Codes	10 General Fund	24 Food Service	50 Debt Service Fund
<b>REVENUES</b>			
5700 Local and intermediate sources	\$ 101,051,634	\$ 1,110,370	\$ 46,976,460
5800 State program revenues	271,295,464	66,431	17,274,832
5900 Federal program revenues	2,563,359	12,260,960	-
5020 Total revenues	<u>374,910,457</u>	<u>13,437,761</u>	<u>64,251,292</u>
<b>EXPENDITURES</b>			
CURRENT:			
0011 Instruction	199,927,695	-	-
0012 Instructional resources and media services	5,710,882	-	-
0013 Curriculum and staff development	3,387,230	-	-
0021 Instructional leadership	6,493,165	-	-
0023 School leadership	16,858,514	-	-
0031 Guidance, counseling, and evaluation services	15,106,613	-	-
0032 Social work services	195,621	-	-
0033 Health services	3,791,496	-	-
0034 Student transportation	5,326,288	-	-
0035 Food service	1,140,449	15,118,174	-
0036 Extracurricular activities	7,311,958	-	-
0041 General administration	8,412,896	-	-
0051 Plant maintenance and operations	33,099,078	-	-
0052 Security and monitoring services	3,543,565	-	-
0053 Data processing services	11,032,104	-	-
0061 Community services	213,922	-	-
DEBT SERVICE:			
0072 Interest on long-term debt	-	-	16,445,815
0073 Bond issuance costs and fees	-	-	249,902
CAPITAL OUTLAY			
0081 Facilities acquisition and construction	1,679,198	-	-
INTERGOVERNMENTAL:			
0095 Payments to juvenile justice alternative Ed. Prg	25,488	-	-
0099 Other intergovernmental expenditures	436,161	-	-
6030 Total expenditures	<u>323,692,323</u>	<u>15,118,174</u>	<u>16,695,717</u>
1100 Excess (deficiency) of revenues over expenditures	<u>51,218,134</u>	<u>(1,680,413)</u>	<u>47,555,575</u>
<b>OTHER FINANCING SOURCES (USES) :</b>			
7901 Refunding bonds issued	-	-	14,780,000
7912 Sale of real or personal property	28,543	-	-
7915 Transfers in	391,200	32,949	-
7916 Premium or discount on issuance of bonds	-	-	1,633,143
7949 Other resources	-	-	-
8911 Transfers out	(982,222)	(391,200)	-
8940 Payment to refund bonds	-	-	(16,364,219)
8949 Other uses	(245,238)	-	(120,169)
7080 Total other financing sources (uses)	<u>(807,717)</u>	<u>(358,251)</u>	<u>(71,245)</u>
1200 Net change in fund balances	50,410,417	(2,038,664)	47,484,330
0100 Fund balances--beginning	126,261,007	6,768,227	29,162,228
3000 <b>Fund balances--ending</b>	<u>\$ 176,671,424</u>	<u>\$ 4,729,563</u>	<u>\$ 76,646,558</u>

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

60 Capital Projects	Non-Major Governmental Funds	98 Total Governmental Funds
\$ 767,509	\$ 1,043,712	\$ 150,949,685
-	3,816,558	292,453,285
-	21,199,249	36,023,568
<u>767,509</u>	<u>26,059,519</u>	<u>479,426,538</u>
-	20,515,072	220,442,767
-	46,667	5,757,549
-	1,255,832	4,643,062
-	936,592	7,429,757
-	515,206	17,373,720
-	1,218,036	16,324,649
-	556,436	752,057
-	-	3,791,496
1,032,544	-	6,358,832
-	2,499	16,261,122
632,072	15,638	7,959,668
457,104	-	8,870,000
5,784,576	759,918	39,643,572
13,685	113,886	3,671,136
732,489	-	11,764,593
-	254,305	468,227
-	-	16,445,815
-	-	249,902
57,800,636	6,419	59,486,253
-	-	25,488
-	-	436,161
<u>66,453,106</u>	<u>26,196,506</u>	<u>448,155,826</u>
<u>(65,685,597)</u>	<u>(136,987)</u>	<u>31,270,712</u>
-	-	14,780,000
-	-	28,543
-	360,700	784,849
-	-	1,633,143
297,096	-	297,096
-	-	(1,373,422)
-	-	(16,364,219)
-	-	(365,407)
<u>297,096</u>	<u>360,700</u>	<u>(579,417)</u>
<u>(65,388,501)</u>	<u>223,713</u>	<u>30,691,295</u>
<u>243,006,409</u>	<u>429,022</u>	<u>405,626,893</u>
<u>\$ 177,617,908</u>	<u>\$ 652,735</u>	<u>\$ 436,318,188</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 Ten Months Ended June 30, 2021

**Exhibit C-2R**

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	\$ 30,691,295
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.	420,570
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.	78,502,465
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources.	(32,651,534)
Current year bond proceeds are other financing sources in the governmental fund financial statements, but are shown as increases in long-term debt in the district-wide financial statements.	(14,780,000)
Current year payments to refund debt principal are other uses in the fund financial statements, but are shown as reductions in long-term debt in the district-wide financial statements.	15,010,000
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.	206,121
Current year change in the accretion on capital appreciation bonds is not reflected in the governmental fund financial statements, but is shown as a decrease in accreted interest on the district-wide financial statements.	(673,175)
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.	(12,512,617)
Premiums and discounts associated with bonds payable are reported as other sources/uses in the fund financial statements when bonds are issued. Amounts are reported net of amortization in the district-wide financial statements. The effect of current amortization of bond premiums was to increase net position.	7,824,132
Amortization of deferred loss on refunding amount is not recognized in the governmental funds. The effect of recording current year's addition of \$2,860,150 and amortization of \$3,271,578 is to decrease net position.	(411,428)
Current year additions to premium on bonds are reflected in the governmental fund financial statements as other sources, but are shown as a decrease in net position.	(1,633,143)
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.	(1,504,211)
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.	1,201,616
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 a decrease in deferred outflows (\$13,902,371); decrease in deferred inflows (\$1,031,646); and decrease in net pension liability (\$2,289,301).	(10,581,424)
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 a decrease in deferred outflows (\$3,219,455); increase in deferred inflows (\$23,936,849); and decrease in net OPEB liability (\$30,702,370).	3,546,066
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 62,654,733</u></u>

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

**Mesquite Independent School District**  
 Statement of Net Position  
 Proprietary Funds  
 June 30, 2021

**Exhibit D-1**

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 5,213,540
Inventory	134,077
Due from other funds	496,101
Other current assets	9,758
	<hr/>
Total assets	5,853,476
	<hr/>
<b>CURRENT LIABILITIES:</b>	
Accounts payable	36,052
Due to other funds	3,021,219
Accrued expenses	1,076,388
	<hr/>
Total liabilities	4,133,659
	<hr/>
<b>NET POSITION</b>	
Unrestricted	1,719,817
	<hr/>
<b>Total net position</b>	<b>\$ 1,719,817</b>
	<hr/> <hr/>

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

**Mesquite Independent School District**  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Ten Months Ended June 30, 2021

**Exhibit D-2**

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 4,477,707
Total operating revenues	<u>4,477,707</u>
<b>OPERATING EXPENSES:</b>	
Personal services	1,426,274
Contractual services	59,440
Other supplies and expenses	2,342,110
Insurance claims and expenses	807,252
Other operating costs	11,065
Total operating expenses	<u>4,646,141</u>
Operating loss	<u>(168,434)</u>
<b>NONOPERATING REVENUES:</b>	
Earnings from temporary deposits and investments	431
Total nonoperating revenue	<u>431</u>
Loss before transfers	(168,003)
<b>TRANSFERS IN</b>	<u>588,573</u>
Change in net position	420,570
<b>Total net position—beginning</b>	<u>1,299,247</u>
<b>Total net position—ending</b>	<u>\$ 1,719,817</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 Ten Months Ended June 30, 2021

**Exhibit D-3**

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from transactions with other funds	\$ 3,643,049
Payments to suppliers	(2,177,580)
Payments to employees	(1,485,714)
Claims paid	(807,252)
	<u>(827,497)</u>
Net cash used in operating activities	<u>(827,497)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers in	588,573
	<u>588,573</u>
Net cash provided by non-capital financing activities	<u>588,573</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	431
	<u>431</u>
Net cash provided by investing activities	<u>431</u>
	<u>(238,493)</u>
Net decrease in cash and cash equivalents	<u>(238,493)</u>
<b>Balances—beginning of the year</b>	<u>5,452,033</u>
<b>Balances—end of the year</b>	<u>\$ 5,213,540</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (168,434)
Effect of increases and decreases in current assets and liabilities:	
Decrease in inventory	(12,483)
Increase in interfund receivables/payables	(834,658)
Decrease in accounts payable	(29,476)
Increase in accrued expenses	217,554
	<u>217,554</u>
<b>Net cash used in operating activities</b>	<u>\$ (827,497)</u>

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

**Mesquite Independent School District**  
Statement of Fiduciary Fund Net Position  
Custodial Fund  
June 30, 2021

**Exhibit E-1**

	<u>Student Activity</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,245,156
Total assets	<u>\$ 1,245,156</u>
<b>LIABILITIES</b>	
Due to other funds	\$ 509,125
Due to student groups	<u>3,744</u>
Total liabilities	<u>512,869</u>
<b>NET POSITION</b>	
Restricted for other purposes	<u>\$ 732,287</u>
<b>NET POSITION</b>	<u>\$ 732,287</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  
 Custodial Fund  
 For the Ten Months Ended June 30, 2021

**Exhibit E-2**

	<u>Student Activity</u>
<b>ADDITIONS</b>	
Miscellaneous revenue from student groups	\$ 488,063
Total additions	<u>488,063</u>
<b>DEDUCTIONS</b>	
Professional and contracted services	18,838
Supplies and materials	159,773
Other operating costs	<u>251,005</u>
Total deductions	<u>429,616</u>
<b>Change in Net Position</b>	58,447
<b>NET POSITION</b>	
Restricted for students and other organizations	
Net position, beginning	-
Cumulative effect of implementation of GASB 84	<u>673,840</u>
Net position, beginning, restated	673,840
Net position, ending	<u>\$ 732,287</u>

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

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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 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.

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. **Custodial Fund** – The District accounts for resources held for others in a custodial capacity in a custodial fund. The District's custodial fund is the student activity fund. The fund is used to account for assets held by the District as an agent for student and other organizations. These funds were previously reported in an agency fund. This change resulted in reporting more detail of additions to and deductions from custodial funds than was reported for agency funds.

### 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 general fund construction, capital expenditures of equipment, self-insurance, 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 June 30, 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 June 30, 2021 that were provided for in the subsequent year's budget are:

General fund	\$	12,478,526
Major special revenue		6,177,868
Debt service		11,998
Non-major special revenue		1,166,448
Capital project funds		<u>35,437,944</u>
<b>Total</b>	<b>\$</b>	<b><u>55,272,784</u></b>

### 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 June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 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 June 30, 2021 will change.

# 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 June 30, 2021, the carrying amount of the District's cash deposits held at the depository bank was \$8,360,594 and the bank balance was \$7,949,161. The District's cash deposits at June 30, 2021 and during the ten months ended June 30, 2021 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 \$112,880,466.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$92,403,585 and occurred during the month of December 2020.
- 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	June 30, 2021	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)		
<b>Investments Measured at Amortized Cost:</b>						
Investment Pools:						
TexPool	\$ 64,230,386	\$ -	\$ -	\$ -	14%	29 days
<b>Investments Measured at Net Asset Value (NAV), Fair Value:</b>						
Texstar	6,351,045	-	-	-	1%	40 days
Lonestar	121,115,338	-	-	-	27%	47 days
Certificates of Deposit	187,173,634	-	-	-	40%	121 days
<b>Investments by Fair Value level:</b>						
Commercial Paper	54,608,222	54,608,222	-	-	12%	148 days
U.S. Government Treasury Notes	25,176,920	-	25,176,920	-	6%	222 days
Investment Derivative Instrument						
Interest rate swap	(4,425,530)	-	(4,425,530)	-		
<b>Total value</b>	<b>\$ 454,230,015</b>	<b>\$ 54,608,222</b>	<b>\$ 20,751,390</b>	<b>\$ -</b>		

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 market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. TexPool is rated AAAm by Standard & Poor’s rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor’s.

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

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

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 198,510,378
Current investments	230,327,546
Long-term investments	36,938,392
Custodial funds:	
Cash and cash equivalents	1,245,156
<b>Total cash and investments</b>	<b>\$ 467,021,472</b>

Cash and investments as of June 30, 2021 consist of the following:

Cash on hand	\$ 5,333
Deposits with financial institutions	8,360,594
Investments	458,655,545
<b>Total cash and investments</b>	<b>\$ 467,021,472</b>

## 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 June 30, 2021, the District had the following investments:

Investment Type		Weighted Average Maturity
Certificates of Deposit	\$ 187,173,634	121 days
U.S. Government Treasury Notes	25,176,920	222 days
Commercial Paper	54,608,222	148 days
Investment Pool -LoneStar	121,115,338	47 days
Investment Pool -TexPool	64,230,386	29 days
Investment Pool -Texstar	6,351,045	40 days
<b>Total</b>	<b>\$ 458,655,545</b>	

As of June 30, 2021 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 June 30, 2021 for each investment type.

Investment Type		Minimum Legal Rating	Rating as of Year End
Certificates of Deposit	\$ 187,173,634	N/A	N/A
U.S. Government Treasury Notes	25,176,920	N/A	N/A
Commercial Paper	54,608,222	N/A	N/A
Investment Pool -LoneStar	121,115,338	AAA/AAAm	AAA
Investment Pool -TexPool	64,230,386	AAA/AAAm	AAAm
Investment Pool -Texstar	6,351,045	AAA/AAAm	AAAm
<b>Total</b>	<b>\$ 458,655,545</b>		

# 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 June 30, 2021, the District held 41% of their portfolio in certificates of deposit, 5% in treasury notes and 12% in commercial paper. The District controls this risk by laddering the portfolio, limiting the final maturity of each investment between six months and three years through its investment policy with most purchases with maturities less than two years.

### 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 June 30, 2021, the District deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

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

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2021, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

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

Due from Other	General Fund	Food Service Fund	Non-Major Special Revenue Funds	Total
State entitlement (prior years)	\$ 15,776,415	\$ -	\$ -	\$ 15,776,415
State grants	-	66,431	1,202,351	1,268,782
Federal grants	37,098	1,168,121	9,693,308	10,898,527
	<u>\$ 15,813,513</u>	<u>\$ 1,234,552</u>	<u>\$ 10,895,659</u>	<u>\$ 27,943,724</u>

# Mesquite Independent School District

## Notes to the Financial Statements

### Note 4. Other Receivables

Other receivables as of June 30, 2021, for the District's individual major funds and non-major governmental funds in the aggregate are as follows:

	General Fund
REG DAY - WILLS POINT	\$ 541
REG DAY - FORNEY	7,921
REG DAY - ROCKWALL	19,416
REG DAY - GARLAND	420,246
REG DAY - ROYSE CITY	488
REG DAY - KAUFMAN	29
CITY - MEHC	92,015
CITY-CROSSING GUARDS	188,003
MESQ EDUC FOUNDATION	78,959
DISD - AUTISM GRANT SSA	9,247
MISC BILLINGS	3,401
TAXES RECEIVABLE	483,117
E-RATE	210,264
MASTERS REIMB	19,503
CATERING	531
	<u>\$ 1,533,681</u>

District-wide other receivables includes \$509,125 due from the Custodial Funds, as these funds are not presented as part of the District's operations.

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

Interfund balances at June 30, 2021 consisted of the following individual fund receivables and payables:

Due to Fund	Due from Fund	Amount
Debt Service	General Fund	\$ 18,158,807
General Fund	Capital Projects	3,740,030
General Fund	Internal Service - Worker's Compensation	2,867,070
General Fund	Custodial Fund	509,125
General Fund	Non-major Special Revenue (State)	854,801
General Fund	Major Special Revenue-Food Service	1,341,581
General Fund	Non-major Special Revenue (Federal)	7,590,026
Internal Service - Health	General Fund	341,952
Internal Service - Worker's Compensation	Internal Service - Health	154,149
Non-major Special Revenue (Local)	General Fund	555,233
		<u>\$ 36,112,774</u>

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

# Mesquite Independent School District

## Notes to the Financial Statements

Interfund transfers for the ten months ended June 30, 2021 were as follows:

Transfer From	Transfer To	Amount	Reason
General	Food Service	\$ 32,949	Food Service Transfer
General	Internal Service	588,573	Internal Service Transfer
Food Service	General	391,200	Food Service Transfer
General	Non-Major Governmental	360,700	RDS Member District Share Transfer
		<u>\$ 1,373,422</u>	

### Note 6. Capital Asset Activity

Capital asset activity for the District for the ten months ended June 30, 2021, was as follows:

Governmental Activities:	Primary Government				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
<b>Non-depreciable assets</b>					
Land	\$ 20,405,711	\$ -	\$ -	\$ -	\$ 20,405,711
Construction in progress	179,562,676	53,841,963	-	(94,812,054)	138,592,585
<b>Total non-depreciable assets</b>	<u>199,968,387</u>	<u>53,841,963</u>	<u>-</u>	<u>(94,812,054)</u>	<u>158,998,296</u>
<b>Depreciable assets</b>					
Buildings and improvements	944,988,655	-	(3,244,678)	94,812,054	1,036,556,031
Furniture and equipment	190,870,855	24,660,502	(1,199,380)	-	214,331,977
<b>Total depreciable assets</b>	<u>1,135,859,510</u>	<u>24,660,502</u>	<u>(4,444,058)</u>	<u>94,812,054</u>	<u>1,250,888,008</u>
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	323,488,175	19,714,121	(1,740,467)	-	341,461,829
Furniture and equipment	121,648,165	12,937,413	(1,199,380)	-	133,386,198
<b>Total accumulated depreciation</b>	<u>445,136,340</u>	<u>32,651,534</u>	<u>(2,939,847)</u>	<u>-</u>	<u>474,848,027</u>
<b>Total capital assets, net</b>	<u>\$ 890,691,557</u>	<u>\$ 45,850,931</u>	<u>\$ (1,504,211)</u>	<u>\$ -</u>	<u>\$ 935,038,277</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Function	Depreciation
Instruction	\$ 21,785,330
Instructional resources and media services	487,475
Curriculum development and instructional staff development	357,238
Instructional leadership	790,961
School leadership	1,871,482
Guidance, counseling and evaluation services	1,738,179
Social work services	71,375
Health services	406,787
Student (pupil) transportation	455,763
Food services	920,781
Cocurricular/extracurricular activities	389,660
General administration	642,263
Plant maintenance and operations	1,705,551
Security and monitoring service	186,439
Data processing services	609,572
Community services	199,930
Construction	32,748
<b>Total depreciation expense</b>	<u>\$ 32,651,534</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
Cheerleader receipts	\$ 170,600	\$ -	\$ -	\$ -	\$ 170,600
Athletic ticket sales	177	-	-	-	177
State grant awards	-	-	-	111	111
Prepaid PAMS	-	212,253	-	-	212,253
Total unearned	<u>\$ 170,777</u>	<u>\$ 212,253</u>	<u>\$ -</u>	<u>\$ 111</u>	<u>\$ 383,141</u>
Tax revenue	<u>\$ 4,789,139</u>	<u>\$ -</u>	<u>\$ 2,091,830</u>	<u>\$ -</u>	<u>\$ 6,880,969</u>
Total unavailable	<u>\$ 4,789,139</u>	<u>\$ -</u>	<u>\$ 2,091,830</u>	<u>\$ -</u>	<u>\$ 6,880,969</u>

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

### Note 8. Long-Term Debt

#### A. Unlimited Tax Bonds

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

The District has 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 increased on these bonds during the current year in the net amount of \$673,175. Unlimited tax bonds outstanding as of June 30, 2021 are as follows:

**Mesquite Independent School District**  
Notes to the Financial Statements

Purpose and Lawful Authority	Interest Rate	Final Maturity	Amount of Original Issue	Amounts Outstanding 06/30/21
Unlimited Tax School Building Bonds, Series 2003A	4.46%	2029	\$ 30,000,000	\$ 23,800,000
Unlimited Tax Refunding Bonds, Series 2012	2.00 to 5.00%	2031	36,409,259	9,844,259
Unlimited Tax Refunding Bonds, Series 2013	3.00 to 3.50%	2026	8,760,000	8,610,000
Unlimited Tax School Building Bonds, Series 2014-A	2.5 to 5.00%	2025	24,045,000	17,345,000
Unlimited Tax Refunding Bonds, Series 2014-B	2.00 to 5.00%	2030	54,200,000	9,920,000
Unlimited Tax School Building Bonds, Series 2015-A	2.00 to 4.00%	2026	27,020,000	22,050,000
Unlimited Tax Refunding Bonds, Series 2015-B	2.00 to 4.00%	2031	21,309,996	16,640,000
Unlimited Tax Refunding Bonds, Series 2015-C	2.00 to 5.00%	2032	27,496,135	26,437,898
Unlimited Tax Refunding Bonds, Series 2015-D	4.00 to 5.00%	2031	27,068,535	18,885,000
Unlimited Tax School Building Bonds, Series 2015-E	3.00 to 5.00%	2038	71,870,000	68,460,000
Unlimited Tax Refunding Bonds, Series 2016-A	2.00 to 5.00%	2033	16,890,000	15,965,000
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	90,470,000
Unlimited Tax Refunding Bonds, Series 2017-A	3.00 to 5.00%	2032	12,803,008	12,017,232
Unlimited Tax School Building Bonds, Series 2017-B	3.00 to 5.00%	2042	88,350,000	80,635,000
Unlimited Tax School Building Bonds, Series 2018	5.00%	2048	118,645,000	112,040,000
Unlimited Tax School Building Bonds, Series 2019	3.00 to 5.00%	2044	84,740,000	84,740,000
Unlimited Tax School Building Bonds, Series 2020	3.00 to 5.00%	2045	81,190,000	81,190,000
Unlimited Tax Refunding Bonds, Series 2020-B	4.00%	2025	6,260,000	6,260,000
Unlimited Tax Refunding Bonds, Series 2020-C	4.00%	2032	5,680,000	5,680,000
Unlimited Tax Refunding Bonds, Series 2020-D	.29% to 5.00%	2030	14,780,000	14,780,000
<b>Total bonded debt principal payable</b>				<b>\$ 748,039,389</b>

## 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 \$23,800,000 matches the 2003A variable-rate bond balance at June 30, 2021. 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 .03% at June 30, 2021.

Because interest rates have declined since execution of the swap, the swap had a negative fair value of \$4,425,530 as of June 30, 2021. 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 June 30, 2021, 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 Aa3 and A+ by Moody's Investors Service (Moody's) and Standard & Poor's (S&P), respectively, as of June 30, 2021. 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 June 30, 2021		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
2003-A Swap					
(Cash flow hedge)	Deferred outflow	\$ (489,601)	Debt	\$ (4,425,530)	\$ 23,800,000

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

### C. Debt Service Requirements

Debt service requirements to maturity are as follows

Year Ending June 30	General Obligation		Total Requirements
	Principal	Interest	
2022	\$ 23,431,113	\$ 37,667,673	\$ 61,098,786
2023	19,153,707	36,814,243	55,967,950
2024	19,729,980	35,991,234	55,721,214
2025	25,770,329	30,128,034	55,898,363
2026	26,935,000	28,099,151	55,034,151
2027-2031	140,064,085	126,887,429	266,951,514
2032-2036	161,375,175	92,652,543	254,027,718
2037-2041	180,545,000	54,370,766	234,915,766
2042-2046	126,375,000	17,414,600	143,789,600
2047-2048	24,660,000	1,889,750	26,549,750
	<u>\$ 748,039,389</u>	<u>\$ 461,915,423</u>	<u>\$ 1,209,954,812</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 June 30, 2021.

### 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 June 30, 2021, there were \$15,010,000 bonds considered defeased that are still outstanding.

## Mesquite Independent School District

### Notes to the Financial Statements

During the ten months ended June 30, 2021, the District issued \$14,780,000 of 2020D Unlimited Tax Refunding Bonds plus a premium of \$1,633,143 and a transfer of prior issue debt service funds of \$162,275. Of these amounts, \$16,364,219 was used to purchase U.S. Government Securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt payments of the refunded bonds which are scheduled to be redeemed on August 15, 2022. The reacquisition price exceeded the carrying amount of the refunded debt by \$5,120,733. This amount is being amortized over the remaining life of the debt and is classified as a deferred outflow of resources. The refundings were undertaken to reduce total debt service payments through the year 2032 by \$1,569,958 and resulted in a gross economic gain of \$1,459,848.

#### Changes in Long-Term Liabilities:

	Beginning Balance	Additions	Refundings/ Reductions	Ending Balance	Due Within One Year
Government activities					
Bonded debt payable	\$ 748,269,389	\$ 14,780,000	\$ (15,010,000)	\$ 748,039,389	\$ 23,431,113
	748,269,389	14,780,000	(15,010,000)	748,039,389	23,431,113
Net pension liability	122,879,364	12,397,289	(14,686,590)	120,590,063	-
Net OPEB liability	142,841,285	5,833,772	(36,536,142)	112,138,915	-
Accreted interest	19,158,560	673,175	-	19,831,735	5,709,373
Premium on bonds	115,865,777	1,633,143	(7,824,132)	109,674,788	-
Compensated absences	1,333,220	-	(206,121)	1,127,099	319,702
<b>Long-term liabilities</b>	<b>\$ 1,150,347,595</b>	<b>\$ 35,317,379</b>	<b>\$ (74,262,985)</b>	<b>\$ 1,111,401,989</b>	<b>\$ 29,460,188</b>

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	Assistance Number	Amount	Total Grant or Entitlement
Unemployment insurance	17.225	\$ 178,137	\$ 178,137
ESSER II - PPRP	84.425D	359,326	359,326
Selective reserve educational assistance	12.609	481,780	481,780
School health and related services	N/A	1,544,116	1,544,116
		<u>\$ 2,563,359</u>	<u>\$ 2,563,359</u>

# 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	\$ 92,928,605	\$ -	\$ 45,985,189	\$ -	\$ -	\$ 138,913,794
Taxes, prior years	899,664	-	412,060	-	-	1,311,724
Penalties and interest	677,592	-	506,989	-	-	1,184,581
Investment earnings	161,164	3,187	72,222	767,509	-	1,004,082
Insurance recovery	1,433,759	-	-	-	-	1,433,759
Tuition from patrons	444,328	-	-	-	-	444,328
Athletic activities	399,941	-	-	-	-	399,941
Rent	198,251	-	-	-	-	198,251
Food service activities	64,726	1,083,952	-	-	-	1,148,678
Gifts and bequests	393,610	7,413	-	-	22,062	423,085
Extra/cocurricular	1,549,425	-	-	-	73	1,549,498
Other	1,900,569	15,818	-	-	1,021,577	2,937,964
	<b>\$ 101,051,634</b>	<b>\$ 1,110,370</b>	<b>\$ 46,976,460</b>	<b>\$ 767,509</b>	<b>\$ 1,043,712</b>	<b>\$ 150,949,685</b>

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

#### C. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule.

# Mesquite Independent School District

## Notes to the Financial Statements

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Contribution requirements are established or amended pursuant to Article XVI, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2021	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%

The contribution amounts for the District's ten months ended June 30, 2021 are as follows.

2021 Employer Contributions	\$ 4,011,279
2021 Member Contributions	\$ 17,671,080
2021 NECE On-behalf Contributions	\$ 13,814,342

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

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

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

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

# Mesquite Independent School District

## Notes to the Financial Statements

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.
- Public education employer contribution - all public schools, charter schools and regional education service centers must contribute 1.5% of the member's salary beginning in September 1, 2019, gradually increasing to 2.0% on September 1, 2024.

### F. Actuarial Assumptions

The actuarial valuation of the total pension liability was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020 and was determined using the following actuarial methods and assumptions:

Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	7.25%
Long-term expected rate of return	7.25%
Municipal bond rate as of August 2019	2.33%. Source for the rate is the Fixed Income Market Data / Yield Curve / Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in projection period (100 years)	2119
Inflation	2.30%
Salary increases	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None
Active mortality rates	Based on 90 percent of the RP 2014 Employee Mortality Tables for males and females with full generational mortality. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale U-MP.

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

# Mesquite Independent School District

## Notes to the Financial Statements

### Discount Rate

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

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2020 are summarized below:

Asset Class	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global equity:			
U.S.	18.00%	3.90%	0.99%
Non-U.S. developed	13.00%	5.10%	0.92%
Emerging markets	9.00%	5.60%	0.83%
Private equity	14.00%	6.70%	1.41%
Stable value:			
Government bonds	16.00%	-0.70%	-0.05%
Absolute return		1.80%	
Stable value hedge funds	5.00%	1.90%	0.11%
Real return:			
Real estate	15.00%	4.60%	1.02%
Energy and natural resources and infrastructure	6.00%	6.00%	0.42%
Commodities		0.80%	
Risk parity:			
Risk parity	8.00%	3.00%	0.30%
Asset allocation leverage:			
Cash	2.00%	-1.50%	-0.03%
Asset allocation leverage	-6.00%	-1.30%	0.08%
Inflation expectation			2.00%
Volatility drag***			-0.67%
<b>Totals</b>	<b>100.0%</b>		<b>7.33%</b>

\*Target allocations are based on the FY 2020 policy model.

\*\*Capital market assumptions come from Aon Hewitt (as of 8/31/2020).

\*\*\*The volatility drag results from the conversion between arithmetic and geometric mean returns.

## Mesquite Independent School District

### Notes to the Financial Statements

#### Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability:	\$185,947,718	\$120,590,063	\$67,488,399

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

At June 30, 2021, the District reported a liability of \$120,590,063 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	\$ 120,590,063
State's proportionate share that is associated with District	<u>179,317,561</u>
<b>Total</b>	<u><u>\$ 299,907,624</u></u>

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

At the measurement date of August 31, 2019 the employer's proportion of the collective net pension liability was .02251581% which was a decrease of .00112251% from its proportion measured as of August 31, 2019.

For the fiscal ten months ended August 31, 2020, the District recognized pension expense of \$32,149,345 and revenue of \$21,567,921 for support provided by the State.

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

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

## Mesquite Independent School District

### Notes to the Financial Statements

At June 30, 2021, the District reported deferred outflows of resources for contributions made after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 220,188	\$ (3,365,349)
Changes in actuarial assumptions	27,981,185	(11,897,405)
Difference between projected and actual investment earnings	2,441,243	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	4,991,676	(5,788,999)
Contributions paid to TRS subsequent to the measurement date	8,835,045	-
<b>Total</b>	<b>\$ 44,469,337</b>	<b>\$ (21,051,753)</b>

\$8,835,045 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 June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense
Year ended June 30:	
2022	\$ 4,489,640
2023	5,843,782
2024	5,479,789
2025	1,114,102
2026	(2,086,252)
Thereafter	(258,522)
<b>Total</b>	<b>\$ 14,582,539</b>

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

### Plan Description

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

### OPEB Plan Fiduciary Net Position

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

# Mesquite Independent School District

## Notes to the Financial Statements

### Benefits Provided

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees of TRS is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Plan Premium Rates

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

\* or surviving spouse

### Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than .25 percent or not more than .75 percent of the salary of each active employee. 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.

	2021	2020
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 employers	1.25%	1.25%

# Mesquite Independent School District

## Notes to the Financial Statements

The contribution amounts for the District’s ten months ended June 30, 2021 are as follows:

District contributions	\$	1,934,485
Member contributions		1,743,501
NECE on-behalf contributions (state)		3,542,243

In addition, the State of Texas contributed \$1,324,697 and \$1,151,578 in 2021 and 2020, respectively, for on-behalf payments for Medicare Part D.

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

TRS-Care received a supplemental appropriation from the State of Texas as the Non-Employer Contributing Entity in the amount of \$2.2 million in fiscal year 2020.

### Actuarial Assumptions

The actuarial valuation of the total OPEB liability was performed as of August 31, 2019. Update procedures were used to roll forward the total OPEB liability to August 31, 2020.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2020 TRS annual pension actuarial valuation:

Demographic Assumptions	Economic Assumptions
Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Salary increases
Rates of disability	

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

The initial medical trend rates were 9.00% for Medicare retirees and 7.30% for non-Medicare retirees. There was an initial prescription drug trend rate of 9.00% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

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

Actuarial cost method	Individual entry age normal
Single discount rate	2.33%
Aging factors	Based on plan specific experience
Election rates	Normal retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Ad hoc post-employment benefit changes	None

# Mesquite Independent School District

## Notes to the Financial Statements

### Discount Rate

A single discount rate of 2.33% was used to measure the total OPEB liability at August 31, 2020. This was a decrease of 0.3% in the discount rate since the August 31, 2019 measurement date. The plan is essentially a “pay-as-you-go” plan, and based on the assumption that contributions are made at the statutorily required rates, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments to current members and therefore, the single discount rate is equal to the prevailing municipal bond rate. The source for the rate is the Fixed Income Market Data / Yield Curve / Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-Year Municipal GO AA Index”.

### Sensitivity of the Net OPEB Liability

#### Discount Rate

The following table presents the District’s proportionate share of the TRS-Care net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that was 1% less than and 1% greater than the discount rate that was used (2.33%) in measuring the net OPEB liability.

Sensitivity of the Net OPEB Liability  
to the Single Discount Rate Assumptions

1% Decrease (1.33%)	Current Single Discount Rate (2.33%)	1% Increase (3.33%)
\$ 134,566,441	\$ 112,138,915	\$ 94,424,388

#### 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:

Sensitivity of the Net OPEB Liability to  
the Healthcare Cost Trend Rate Assumptions

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 91,603,126	\$ 112,138,915	\$ 139,489,683

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

At June 30, 2021, the District reported a liability of \$112,138,915 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	\$ 112,138,915
State's proportionate share of the net OPEB liability associated with the District	<u>150,687,821</u>
<b>Total</b>	<u><u>\$ 262,826,736</u></u>

## Mesquite Independent School District

### Notes to the Financial Statements

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

At August 31, 2020 the employer's proportion of the collective net OPEB liability was .2949897% which was .0070563 decrease from August 31, 2019.

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

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

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

For the District's ten months ended June 30, 2021, the District recognized OPEB expense of \$3,546,067 and revenue of \$1,046,319 for support provided by the State.

At June 30, 2021, 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	\$ 5,871,549	\$ (51,320,501)
Changes of assumptions	6,916,639	(30,793,925)
Net difference between projected and actual earnings on pension plan investments	36,441	-
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	4,613,852	(6,259,278)
District contributions after measurement date	1,934,485	-
<b>Totals</b>	<b>\$ 19,372,966</b>	<b>\$ (88,373,704)</b>

## Mesquite Independent School District

### Notes to the Financial Statements

\$1,934,485 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 June 30, 2022. 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 June 30,	
2022	\$ (11,598,844)
2023	(11,603,715)
2024	(11,606,501)
2025	(11,605,738)
2026	(8,610,463)
Thereafter	<u>(15,909,962)</u>
<b>Total</b>	<b>\$ <u>(70,935,223)</u></b>

#### 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.

During the ten months ended June 30, 2021, 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 \$1,076,388 and includes incurred but not reported claims. These liabilities reported in the funds at June 30, 2021 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 2021 and 2020 were:

Self-Insurance Liability	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Less: Claim Payments	Balance at Fiscal Year-End
2020 - workers' compensation	\$ 704,138	948,058	793,362	\$ 858,834
2021 - workers' compensation	\$ 858,834	983,819	766,265	\$ 1,076,388

#### 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 June 30, 2021 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 \$25,152,595 at June 30, 2021.

## 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. The District acts as the fiscal agent and provides services for the member districts. The District's expenditures for the ten months ended June 30, 2021, totaled \$2,387,965. The District is reimbursed by the other member districts for their portion of the expenditures.

#### Note 16. New Accounting Pronouncements

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

**GASB Statement No. 89: Accounting for Interest Cost Incurred before the End of a Construction Period. Statement 89** was issued in June 2018. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Standard becomes effective for the District in fiscal year 2022. The District has not yet determined the impact of this statement.

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

**GASB Statement No. 92: Omnibus 2020. Statement 92** was issued in January 2020. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. This Standard becomes effective for the District in fiscal year 2022. The District has not yet determined the impact of this statement.

**GASB Statement No. 93: Replacement of Interbank Offered Rates. Statement 93** was issued in March 2020. This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. This Standard becomes effective for the District in fiscal year 2022. The District has not yet determined the impact of this statement.

**GASB Statement No. 94: Public-Private and Public-Public Partnerships and Availability Payment Arrangements. Statement 94** was issued in March 2020. This Statement establishes standards of accounting and financial reporting for PPPs and APAs for governments. This Standard becomes effective for the District in fiscal year 2023. The District has not yet determined the impact of this statement.

**GASB Statement No. 96: Subscription-Based Information Technology Arrangements. Statement 96** was issued in May 2020. This Statement establishes standards of accounting and financial reporting for Subscription-based information technology arrangements by a government end user (a government). This Standard becomes effective for the District in fiscal year 2023. The District has not yet determined the impact of this statement.

## Mesquite Independent School District

### Notes to the Financial Statements

**GASB Statement No. 97: Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.” Statement 97** was issued in June 2020. This Statement modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. This Standard becomes effective for the District in fiscal year 2022. The District has not yet determined the impact of this statement.

#### **Note 17. GASB Pronouncements implemented by the District**

GASB Statement No. 84, *Fiduciary Activities*. This Statement was issued in January 2017 and provides guidance to enhance the consistency and comparability of fiduciary activity reporting by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The cumulative effect of the implementation of GASB Statement No. 84 was an increase to beginning net position of the student activity custodial fund of \$673,840.

#### **Note 18. Subsequent Events**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 15, 2021, the date the financial statements were available to be issued.

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## **Required Supplementary Information**

**Mesquite Independent School District**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Ten Months Ended June 30, 2021**

**Exhibit G-1**

Data Control Codes		Budgeted Amounts		Actual	Variance With
		Original	Final	Amounts GAAP BASIS	Final Budget Under or (Over)
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 102,936,700	\$ 93,290,200	\$ 101,051,634	\$ 7,761,434
5800	State program revenues	283,775,600	282,644,400	271,295,464	(11,348,936)
5900	Federal program revenues	6,050,000	6,050,000	2,563,359	(3,486,641)
5020	Total revenues	392,762,300	381,984,600	374,910,457	(7,074,143)
<b>EXPENDITURES</b>					
<b>CURRENT:</b>					
0011	Instruction	234,546,500	240,066,500	199,927,695	40,138,805
0012	Instructional resources and media services	6,601,550	6,747,550	5,710,882	1,036,668
0013	Curriculum and staff development	5,895,850	5,959,850	3,387,230	2,572,620
0021	Instructional leadership	8,040,600	8,228,600	6,493,165	1,735,435
0023	School leadership	21,033,450	21,687,450	16,858,514	4,828,936
0031	Guidance, counseling, and evaluation services	18,504,900	18,914,900	15,106,613	3,808,287
0032	Social work services	221,500	241,500	195,621	45,879
0033	Health services	4,265,800	4,387,800	3,791,496	596,304
0034	Student transportation	7,683,200	8,063,200	5,326,288	2,736,912
0035	Food service	1,433,700	1,573,700	1,140,449	433,251
0036	Extracurricular activities	10,075,000	10,103,000	7,311,958	2,791,042
0041	General administration	9,765,800	10,220,800	8,412,896	1,807,904
0051	Plant maintenance and operations	37,700,950	41,600,950	33,099,078	8,501,872
0052	Security and monitoring services	4,026,400	4,288,400	3,543,565	744,835
0053	Data processing services	11,947,000	12,107,000	11,032,104	1,074,896
0061	Community services	284,700	298,700	213,922	84,778
<b>CAPITAL OUTLAY</b>					
0081	Facilities acquisition and construction	4,895,200	4,919,200	1,679,198	3,240,002
<b>INTERGOVERNMENTAL:</b>					
0095	Payments to juvenile justice alternative ed. prg	130,000	130,000	25,488	104,512
0097	Payments to tax increment fund	3,600,000	3,600,000	-	3,600,000
0099	Other intergovernmental	420,000	420,000	436,161	(16,161)
6030	Total expenditures	391,072,100	403,559,100	323,692,323	79,866,777
1100	Excess (deficiency) of revenues over expenditures	1,690,200	(21,574,500)	51,218,134	72,792,634
<b>OTHER FINANCING SOURCES (USES):</b>					
7912	Sale of real or personal property	150,000	150,000	28,543	(121,457)
7915	Transfers in	400,000	400,000	391,200	(8,800)
8911	Transfers out	(1,000,000)	(1,000,000)	(982,222)	17,778
8949	Other uses	-	-	(245,238)	(245,238)
7080	Total other financing sources (uses)	(450,000)	(450,000)	(807,717)	(357,717)
1200	Net change in fund balances	1,240,200	(22,024,500)	50,410,417	72,434,917
0100	Fund balances--beginning	126,261,007	126,261,007	126,261,007	-
3000	<b>Fund balances--ending</b>	<b>\$ 127,501,207</b>	<b>\$ 104,236,507</b>	<b>\$ 176,671,424</b>	<b>\$ 72,434,917</b>

Mesquite Independent School District  
 Budgetary Comparison Schedule  
 Food Service Fund  
 For the Ten Months Ended June 30, 2021

Exhibit G-2

Data Control Codes	Budgeted Amounts		Actual Amounts GAAP BASIS	Variance With Final Budget Under or (Over)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 2,713,100	\$ 2,309,800	\$ 1,110,370	\$ (1,199,430)
5800	State program revenues	541,500	1,643,600	66,431	(1,577,169)
5900	Federal program revenues	19,107,600	15,532,000	12,260,960	(3,271,040)
5020	Total revenues	<u>22,362,200</u>	<u>19,485,400</u>	<u>13,437,761</u>	<u>(6,047,639)</u>
<b>EXPENDITURES</b>					
CURRENT:					
0035	Food service	<u>25,584,400</u>	<u>21,137,800</u>	15,118,174	6,019,626
6030	Total expenditures	<u>25,584,400</u>	<u>21,137,800</u>	15,118,174	6,019,626
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers in	-	-	32,949	(32,949)
8911	Transfers out	<u>(325,000)</u>	<u>(325,000)</u>	<u>(391,200)</u>	66,200
7080	Total other financing sources (uses)	<u>(325,000)</u>	<u>(325,000)</u>	<u>(358,251)</u>	33,251
1200	Net change in fund balances	(3,547,200)	(1,977,400)	(2,038,664)	(61,264)
0100	Fund balances--beginning	<u>6,768,227</u>	<u>6,768,227</u>	<u>6,768,227</u>	-
3000	<b>Fund balances--ending</b>	<u>\$ 3,221,027</u>	<u>\$ 4,790,827</u>	<u>\$ 4,729,563</u>	<u>\$ (61,264)</u>

## Mesquite Independent School District

### Schedule of the District's Proportionate Share of the Net Pension Liability – TRS For the Last Seven Fiscal Years

	<u>2021</u>	<u>2020</u>
District's Proportion of the Net Pension Liability	0.02251581%	0.02363832%
District's Proportionate Share of Net Pension Liability	\$ 120,590,063	\$ 122,879,364
States Proportionate Share of the Net Pension Liability associated with the District	<u>179,317,561</u>	<u>172,805,279</u>
Total	<u>\$ 299,907,624</u>	<u>\$ 295,684,643</u>
District's Covered Payroll	\$ 268,230,953	\$ 255,085,006
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Payroll	45%	48%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.54%	75.24%

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, 2019 - August 31, 2020.

Note: Ten years of data not available

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.02428423%	0.02320010%	0.02289787%	0.02364673%	0.01668410%
\$ 133,666,300	\$ 74,564,825	\$ 86,527,634	\$ 83,588,043	\$ 44,565,618
<u>187,735,644</u>	<u>115,952,342</u>	<u>136,764,303</u>	<u>131,061,596</u>	<u>111,712,185</u>
<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>
\$ 250,455,014	\$ 245,254,302	\$ 233,853,900	\$ 225,025,506	\$ 216,195,466
53%	30%	37%	37%	21%
73.74%	82.17%	78.00%	78.43%	83.25%

**Mesquite Independent School District**  
 Schedule of the District's Contributions – TRS  
 For the Last Seven Fiscal Years

	2021	2020
Contractually Required Contribution	\$ 4,011,279	\$ 4,508,947
Contribution in Relation to the Contractually Required Contribution	(4,011,279)	(4,508,947)
Contribution Deficiency (Excess)	-	-
District's Covered Payroll	\$ 229,494,550	\$ 268,230,953
Contributions as a percentage of Covered Payroll	1.75%	1.68%

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, 2019 - August 31, 2020.

Note: Ten years of data not available. 2021 was a ten month period.

Exhibit G-4

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 3,807,728	\$ 3,693,151	\$ 3,257,314	\$ 2,995,797	\$ 2,902,999
<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>
-	-	-	-	-
\$ 255,085,006	\$ 250,455,014	\$ 245,254,302	\$ 233,853,857	\$ 225,025,506
1.49%	1.47%	1.33%	1.28%	1.29%

## 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 Four Fiscal Years

	2021	2020	2019	2018
District's Proportion of the Net OPEB Liability	0.29498970%	0.30204610%	0.30681660%	0.29561006%
District's Proportionate Share of Net OPEB Liability	\$ 112,138,915	\$ 142,841,285	\$ 153,196,337	\$ 128,549,725
State's proportionate share of net OPEB liability associated with the District	150,687,821	189,804,118	209,766,192	188,384,155
<b>TOTALS</b>	<b>\$ 262,826,736</b>	<b>\$ 332,645,403</b>	<b>\$ 362,962,529</b>	<b>\$ 316,933,880</b>
District's Covered Payroll	\$ 268,230,953	\$ 255,085,006	\$ 250,455,014	\$ 245,254,302
District's Proportionate Share of the Net OPEB Liability as a percentage of its Covered Payroll	41.81%	56.00%	61.17%	52.41%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

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

Note: Ten years of data not available

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

**Exhibit G-6**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 1,934,485	\$ 2,257,791	\$ 2,160,620	\$ 2,080,357
Contribution in Relation to the Contractually Required Contribution	<u>(1,934,485)</u>	<u>(2,257,791)</u>	<u>(2,160,620)</u>	<u>(2,080,357)</u>
Contribution Deficiency (Excess)	-	-	-	-
District's Covered Employee Payroll	\$ 268,230,953	\$ 255,085,006	\$ 250,455,014	245,254,302
Contributions as a percentage of Covered Employee Payroll	0.72%	0.89%	0.86%	0.85%

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

Note: Ten years of data not available

**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. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data:

1. Prior to June 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 July 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>
<b>Revenue:</b>	
Local Revenues	\$ (9,646,500)
State Revenues	(1,131,200)
<b>Expense:</b>	
Instruction	5,520,000
School Leadership	654,000
Guidance, Counseling & Evaluation	410,000
Student Pupil Transportation	380,000
Plant Maintenance and Operations	3,900,000
Security and Monitoring Services	262,000

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.

## Mesquite Independent School District

### Notes to the Required Supplementary Information

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.
6. District actual expenditures exceeded the final budget for the following areas:

Description	Final Budget	Actual	(Over) Budget
Other intergovernmental	\$ 420,000	\$ 436,161	\$ (16,161)

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## **Combining Statements and Schedules**

Mesquite Independent School District  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021

Exhibit H-1

	289 Other Federal Special Revenue Funds	429 Other State Special Revenue Funds	499 Local Special Revenue Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Due from other governments	\$ 9,579,422	\$ 1,316,237	\$ -	\$ 10,895,659
Due from other funds	-	-	555,233	555,233
Total assets	<u>\$ 9,579,422</u>	<u>\$ 1,316,237</u>	<u>\$ 555,233</u>	<u>\$ 11,450,892</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 135,023	\$ 10,208	\$ 14,504	\$ 159,735
Accrued wages payable	1,854,373	214,272	124,839	2,193,484
Due to other funds	7,590,026	854,801	-	8,444,827
Unearned revenues	-	111	-	111
Total liabilities	<u>9,579,422</u>	<u>1,079,392</u>	<u>139,343</u>	<u>10,798,157</u>
<b>Fund balances</b>				
<b>Restricted</b>				
State Special Revenue	-	236,845	-	236,845
<b>Committed</b>				
Local Special Revenue	-	-	415,890	415,890
Total fund balances	<u>-</u>	<u>236,845</u>	<u>415,890</u>	<u>652,735</u>
<b>Total liabilities and fund balances</b>	<u>\$ 9,579,422</u>	<u>\$ 1,316,237</u>	<u>\$ 555,233</u>	<u>\$ 11,450,892</u>

**Mesquite Independent School District**  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Ten Months Ended June 30, 2021

**Exhibit H-2**

	289 Other Federal Special Revenue Funds	429 Other State Special Revenue Funds	499 Local Special Revenue Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Total local and intermediate sources	\$ -	\$ -	\$ 1,043,712	\$ 1,043,712
State program revenues	-	3,816,558	-	3,816,558
Federal program revenues	21,199,249	-	-	21,199,249
Total revenues	<u>21,199,249</u>	<u>3,816,558</u>	<u>1,043,712</u>	<u>26,059,519</u>
<b>EXPENDITURES</b>				
Current:				
11 Instruction	15,907,412	3,616,273	991,387	20,515,072
12 Instructional resources and media services	28,640	27	18,000	46,667
13 Curriculum and staff development	1,252,182	-	3,650	1,255,832
21 Instructional leadership	776,100	-	160,492	936,592
23 School leadership	515,206	-	-	515,206
31 Guidance, counseling, and evaluation services	1,145,944	61,494	10,598	1,218,036
32 Social work services	556,436	-	-	556,436
35 Food service	-	-	2,499	2,499
36 Extracurricular activities	940	-	14,698	15,638
51 Plant maintenance and operations	759,918	-	-	759,918
52 Security and monitoring services	-	113,886	-	113,886
61 Community services	250,052	-	4,253	254,305
<b>Capital Outlay:</b>				
81 Facilities acquisition and construction	6,419	-	-	6,419
Total expenditures	<u>21,199,249</u>	<u>3,791,680</u>	<u>1,205,577</u>	<u>26,196,506</u>
Excess (deficiency) of revenues over expenditures	-	24,878	(161,865)	(136,987)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	360,700	360,700
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>360,700</u>	<u>360,700</u>
Net change in fund balances	-	24,878	198,835	223,713
<b>Fund balances—beginning</b>	<u>-</u>	<u>211,967</u>	<u>217,055</u>	<u>429,022</u>
<b>Fund balances—ending</b>	<u>\$ -</u>	<u>\$ 236,845</u>	<u>\$ 415,890</u>	<u>\$ 652,735</u>

**Mesquite Independent School District**  
Combining Statement of Net Position  
Internal Service Funds  
June 30, 2021

**Exhibit H-3**

	<b>781</b>	<b>790</b>	<b>Total</b>
	<b>Employee</b>	<b>Workers</b>	<b>Internal</b>
	<b>Health Center</b>	<b>Compensation</b>	<b>Service fund</b>
	<b>Fund</b>	<b>Fund</b>	
	<hr/>	<hr/>	<hr/>
<b>ASSETS</b>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 800	\$ 5,212,740	\$ 5,213,540
Inventory	134,077	-	134,077
Due from other funds	341,952	154,149	496,101
Other current assets	-	9,758	9,758
	<hr/>	<hr/>	<hr/>
Total assets	476,829	5,376,647	5,853,476
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES</b>			
CURRENT LIABILITIES:			
Accounts payable	36,052	-	36,052
Due to other funds	154,149	2,867,070	3,021,219
Accrued expenses	-	1,076,388	1,076,388
	<hr/>	<hr/>	<hr/>
Total liabilities	190,201	3,943,458	4,133,659
	<hr/>	<hr/>	<hr/>
<b>NET POSITION</b>			
Unrestricted	286,628	1,433,189	1,719,817
	<hr/>	<hr/>	<hr/>
<b>Total net position</b>	<b>\$ 286,628</b>	<b>\$ 1,433,189</b>	<b>\$ 1,719,817</b>
	<hr/>	<hr/>	<hr/>

**Mesquite Independent School District**  
Combining Statement of Revenues, Expenses  
and Changes in Net Position  
Internal Service Funds  
For the Ten Months Ended June 30, 2021

**Exhibit H-4**

	<b>781 Employee Health Center Fund</b>	<b>790 Workers Compensation Fund</b>	<b>Total Internal Service Fund</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 3,148,559	\$ 1,329,148	\$ 4,477,707
Total operating revenues	<u>3,148,559</u>	<u>1,329,148</u>	<u>4,477,707</u>
<b>OPERATING EXPENSES</b>			
Personal services	1,209,410	216,864	1,426,274
Professional and contractual services	45,400	14,040	59,440
Supplies and materials	2,336,941	5,169	2,342,110
Insurance claims and expenses	40,987	766,265	807,252
Other operating costs	900	10,165	11,065
Total operating expenses	<u>3,633,638</u>	<u>1,012,503</u>	<u>4,646,141</u>
Operating income (loss)	<u>(485,079)</u>	<u>316,645</u>	<u>(168,434)</u>
<b>NONOPERATING REVENUES</b>			
Earnings from temporary deposits and investments	37	394	431
Total nonoperating revenue	<u>37</u>	<u>394</u>	<u>431</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	(485,042)	317,039	(168,003)
Transfers in	588,573	-	588,573
Total transfers	<u>588,573</u>	<u>-</u>	<u>588,573</u>
Change in net position	103,531	317,039	420,570
<b>Net position—beginning</b>	<u>183,097</u>	<u>1,116,150</u>	<u>1,299,247</u>
<b>Net position—ending</b>	<u>\$ 286,628</u>	<u>\$ 1,433,189</u>	<u>\$ 1,719,817</u>

**Mesquite Independent School District**  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Ten Months Ended June 30, 2021

**Exhibit H-5**

	<b>781 Employee Health Center Fund</b>	<b>790 Workers Compensation Fund</b>	<b>Total Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from transactions with other funds	\$ 2,848,364	\$ 794,685	\$ 3,643,049
Payments to suppliers	(2,379,670)	202,090	(2,177,580)
Payments to employees	(1,254,810)	(230,904)	(1,485,714)
Claims paid	(40,987)	(766,265)	(807,252)
Net cash used in operating activities	<u>(827,103)</u>	<u>(394)</u>	<u>(827,497)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers in	588,573	-	588,573
Net cash provided by non-capital financing activities	<u>588,573</u>	<u>-</u>	<u>588,573</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	37	394	431
Net cash provided by investing activities	<u>37</u>	<u>394</u>	<u>431</u>
Net decrease in cash and cash equivalents	(238,493)	-	(238,493)
<b>Balances—beginning of the year</b>	<u>239,293</u>	<u>5,212,740</u>	<u>5,452,033</u>
<b>Balances—end of the year</b>	<u>\$ 800</u>	<u>\$ 5,212,740</u>	<u>\$ 5,213,540</u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>			
Operating income (loss)	\$ (485,079)	\$ 316,645	\$ (168,434)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Decrease in inventory	(12,483)	-	(12,483)
Increase (decrease) in interfund receivables/payables	(300,195)	(534,463)	(834,658)
Increase (decrease) in accounts payable	(29,346)	(130)	(29,476)
Increase in accrued expenses	-	217,554	217,554
<b>Net cash used in operating activities</b>	<u>\$ (827,103)</u>	<u>\$ (394)</u>	<u>\$ (827,497)</u>

## **Required TEA Schedules**

**Mesquite Independent School District**  
 Schedule of Delinquent Taxes Receivable  
 For the Ten Months Ended June 30, 2021

Last Ten Years Ended	Tax Rates		3 Net Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2012 and prior years	various	various	various
2013	1.0400	0.3800	5,974,344,054
2014	1.0400	0.3700	6,026,805,180
2015	1.0400	0.3700	6,292,645,410
2016	1.0400	0.3700	6,349,928,151
2017	1.0400	0.4200	7,006,189,277
2018	1.0400	0.4200	7,733,696,015
2019	1.4000	0.4800	8,535,408,168
2020	0.9700	0.4800	9,351,237,350
2021 (School year under audit)	0.9700	0.4800	10,204,913,609

**1000 TOTALS**

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

2021 was a ten-month period

Exhibit J-1

<b>10</b> Beginning Balance 09/01/20	<b>20</b> Current Year's Total Levy	<b>31</b> Maintenance Total Collections	<b>32</b> Debt Service Total Collections	<b>40</b> Entire Year's Adjustments	<b>50</b> Ending Balance 06/30/21				
2,517,700	\$	\$	54,260	\$	18,729	\$	(530,716)	\$	1,913,994
255,566.00			12,370		4,520		(683)		237,993
284,715.00			13,899		4,945		(1,080)		264,791
345,871.00			19,758		7,029		(2,524)		316,560
356,465.00			25,216		8,971		(3,868)		318,410
442,594.00			40,563		16,381		354		386,004
625,202.00			68,065		27,488		6,974		536,623
1,021,715.00			124,652		57,532		(27,338)		812,193
1,880,865			295,642		146,297		(255,454)		1,183,473
-	137,907,915	92,928,605	45,985,189	3,752,174	2,746,296				
<u>\$ 7,730,693</u>	<u>\$ 137,907,915</u>	<u>\$ 93,583,030</u>	<u>\$ 46,277,080</u>	<u>\$ 2,937,838</u>	<u>\$ 8,716,337</u>				
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				

**Mesquite Independent School District**  
 Schedule of Delinquent Taxes Receivable  
 For the Twelve Months Ended June 30, 2021

Last Ten Years Ended August 31	Tax Rates		3 Net Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2012 and prior years	various	various	various
2013	1.0400	0.3800	\$ 5,974,344,054
2014	1.0400	0.3700	6,026,805,180
2015	1.0400	0.3700	6,292,645,410
2016	1.0400	0.3700	6,349,928,151
2017	1.0400	0.4200	7,006,189,277
2018	1.0400	0.4200	7,733,696,015
2019	1.4000	0.4800	8,535,408,168
2020	0.9700	0.4800	9,351,237,350
2021 (School year under audit)	0.9700	0.4800	10,204,913,609

**1000 TOTALS**

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

**Exhibit J-2**

<b>10</b> Beginning Balance 07/01/20	<b>20</b> Current Year's Total Levy	<b>31</b> Maintenance Total Collections	<b>32</b> Debt Service Total Collections	<b>40</b> Entire Year's Adjustments	<b>50</b> Ending Balance 06/30/21
\$ 2,517,700		\$ 54,260	\$ 18,729	\$ (530,716)	\$ 1,913,994
255,566		12,370	4,520	(683)	237,993
284,715		13,899	4,945	(1,080)	264,791
345,871		19,758	7,029	(2,524)	316,560
417,549		70,271	25,000	(3,868)	318,410
455,132		50,899	20,058	1,829	386,004
648,838		86,167	34,798	8,750	536,623
1,078,845		163,106	73,061	(30,485)	812,193
2,859,111		369,153	171,501	(278,835)	2,039,622
-	137,907,915	93,396,535	46,216,742	3,595,508	1,890,147
<u>\$ 8,863,327</u>	<u>\$ 137,907,915</u>	<u>\$ 94,236,418</u>	<u>\$ 46,576,383</u>	<u>\$ 2,757,895</u>	<u>\$ 8,716,337</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,352</u>	<u>\$ 32,834</u>	<u>\$ -</u>	<u>\$ -</u>

Mesquite Independent School District  
 Budgetary Comparison Schedule  
 Debt Service Fund  
 For the Ten Months Ended June 30, 2021

Exhibit J-3

Data Control Codes	Budgeted Amounts		Actual Amounts GAAP BASIS	Variance With Final Budget Under or (Over)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 46,000,000	\$ 46,000,000	\$ 46,976,460	\$ 976,460
5800	State program revenues	17,450,000	17,450,000	17,274,832	(175,168)
5020	Total revenues	<u>63,450,000</u>	<u>63,450,000</u>	<u>64,251,292</u>	<u>801,292</u>
<b>EXPENDITURES</b>					
CURRENT:					
DEBT SERVICE:					
0071	Principal on long-term debt	23,282,000	23,282,000	-	23,282,000
0072	Interest on long-term debt	38,800,000	38,800,000	16,445,815	22,354,185
0073	Bond issuance costs and fees	600,000	600,000	249,902	350,098
6030	Total expenditures	<u>62,682,000</u>	<u>62,682,000</u>	<u>16,695,717</u>	<u>45,986,283</u>
1100	Excess (deficiency) of revenues over expenditures	<u>768,000</u>	<u>768,000</u>	<u>47,555,575</u>	<u>46,787,575</u>
<b>OTHER FINANCING SOURCES (USES) :</b>					
7901	Refunding bonds issued	-	-	14,780,000	14,780,000
7916	Premium or discount on issuance of bonds	-	-	1,633,143	1,633,143
8940	Payment to bond refunding fund	-	-	(16,364,219)	(16,364,219)
8949	Other uses	-	-	(120,169)	(120,169)
7080	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(71,245)</u>	<u>(71,245)</u>
1200	Net change in fund balances	768,000	768,000	47,484,330	46,716,330
0100	Fund balances--beginning	<u>29,162,228</u>	<u>29,162,228</u>	<u>29,162,228</u>	<u>-</u>
3000	Fund balances--ending	<u>\$ 29,930,228</u>	<u>\$ 29,930,228</u>	<u>\$ 76,646,558</u>	<u>\$ 46,716,330</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 ten months ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2021.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a significant deficiency.

**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

### **District's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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  
November 15, 2021



**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 ten months ended June 30, 2021. 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 ten months ended June 30, 2021.

### 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  
November 15, 2021

**Mesquite Independent School District**  
 Schedule of Findings and Questioned Costs  
 Ten Months Ended June 30, 2021

**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  No
- c. Noncompliance material to financial statements noted  Yes  No

Major Programs

- d. Internal control over major programs:
- Material weakness(es) identified?  Yes  No
  - Significant deficiency(ies) identified that are not considered a material weakness?  Yes  None Reported
- e. An unmodified opinion was issued on compliance for major programs.
- f. Any audit findings disclosed that were required to be in accordance with Uniform Guidance  Yes  No
- g. Identification of major programs:
- |  |                   |
|--|-------------------|
| Child Nutrition Cluster                            | 10.553 and 10.555 |
| Title III – Part A                                 | 84.365A           |
| Covid-19 Elementary and Secondary Emergency Relief | 84.425D           |
| Covid-19 Prior Purchase Reimbursement Program      | 84.425D           |
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$1,034,384
- i. Auditee qualified as a low-risk auditee.  Yes  No

**Mesquite Independent School District**  
Schedule of Findings and Questioned Costs  
Ten Months Ended June 30, 2021

**II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.**

**Finding 2021-001 – Significant deficiency in Internal Control over Financial Reporting – Fiscal Year End Closing Procedures**

**Criteria:** Management is responsible for the accuracy, completeness and timeliness of financial information used in the preparation of financial statements.

**Condition:** The District converted its year-end from August 31 to June 30, resulting in a ten month reporting period. In addition, the District had turnover of key accounting personnel and had key accounting personnel directly impacted by the Covid-19 virus during the timeframe of the audit. As a result of these factors, the accuracy, completeness and timeliness of various account reconciliations, schedules and reports generated during the closing process were delayed. This delay compressed the timeframe of the audit and resulted in numerous immaterial adjustments, some of which were provided to the auditors by management, and some of which were provided to management as proposed adjustments.

**Context:** Due to the compressed nature of the audit, the audit team worked extensively with management in identifying various accounts requiring further analysis and adjustment.

**Cause:** The change in year-end and resource constraints created a delay in the closing process which resulted in the auditors working closely with management to identify and correct account balances which were necessary in the preparation of accurate and timely financial information. The change in year-end was the cause of issues encountered in the production of depreciation and other capital asset data due to unexpected issues encountered through a third-party vendor. A key member of the accounting staff, who had a significant amount of institutional knowledge retired during the year, and came back during the audit to assist in completing some of the required information. Other assignments became difficult to assign due to quarantines and Covid-19 infections.

**Effect or Potential Effect:** There were numerous immaterial adjustments noted during the compressed timeframe of the audit.

**Recommendation:** The District should review its policies and procedures related to the year-end closing process to address assignments with regard to individual account schedules and reconciliations and also to assign adequate supervision and review to allow for the complete and timely preparation of financial statements.

***Views of Responsible Officials and Planned Corrective Actions:***

Management agrees with the finding and has completed a corrective action plan.

**Mesquite Independent School District**  
Schedule of Findings and Questioned Costs  
Ten Months Ended June 30, 2021

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

None were noted in current year.

**IV. Schedule of Prior Audit Findings and Questioned Costs**

None.



**Memorandum**

**Mesquite Independent School District**

Mesquite, Texas

**To:** Weaver LLP  
**From:** Pete Pape, Assistant Superintendent Finance & Operations  
**Re:** Corrective Action Plan  
**Date:** November 12, 2021

The District will continue to review its year-end closing policies and procedures. The year-end closing process will be addressed to align the individual account schedules and reconciliations to develop proper supervision and review to allow for the complete and timely preparation of financial statements.

Responsible party: Pete Pape, Assistant Superintendent Finance & Operations

*“Excellence Always”*

**Mesquite Independent School District**  
Schedule of Expenditures of Federal Awards  
For the Ten Months Ended June 30, 2021

**Exhibit K-1**

(1) Federal/ State Grantor	(2) Federal Assistance Listing	(3) Pass-Through Grantor/ Program Title	(4) Federal Expenditures
<b>U.S. Department of Defense</b>			
Direct Program:			
Selective Reserve Educational Assistance Program	12.609	N/A	\$ 481,780
<b>U.S. Department of Labor</b>			
<b>Passed Through Texas Workforce Commission:</b>			
Unemployment Insurance	17.225	N/A	178,137
<b>U.S. Department of Education</b>			
<b>Passed Through State Department of Education:</b>			
Carl D. Perkins Basic Formula Grant	84.048A	21420006057914	301,979
ESEA Title 1 Part A-Improving Basic Programs	84.010A	21610101057914	9,984,741
ESEA Title 1 Part C-Education of Migratory Children	84.011	16615001057950	1,191
Covid - 19 Elementary and Secondary School Emerg Relief Fund	84.425D	20521001057914	96,001
Covid - 19 Prior Purchase Reimbursement Program	84.425D	52102135	1,478,344
Total Assistance Listing 84.425D			<u>1,574,345</u>
<b>Special Education Cluster (IDEA)</b>			
IDEA -Part B, Formula	84.027A	206600010579146600	6,532,309
IDEA -Part B, Discretionary (Deaf)	84.027A	206600110579146673	137,529
IDEA -Part B, Preschool	84.173A	206610010579146610	88,413
Total Special Education Cluster			<u>6,758,251</u>
ESEA Title II, Part A	84.367A	69451971	782,200
Title III - Part A - English Language Acquisitions and Enhancement	84.365A	20671001057950	1,258,237
Title IV - Part A - Subpart 1	84.424A	21680101057914	793,631
Instructional Continuity Grant	84.377A	17610740057914	104,000
Total Passed Through State Department of Education			<u>21,558,575</u>
<b>U.S. Department of Agriculture</b>			
<b>Child Nutrition Cluster</b>			
Passed Through State Department of Agriculture:			
National School Lunch Program - Commodities	10.555	806780706	1,841,360
Summer Food Service Program	10.555	806780706	1,168,121
Passed Through State Department of Education:			
National School Lunch Program	10.555	71302001	7,587,610
National School Breakfast Program	10.553	71402001	1,663,869
Total Child Nutrition Cluster			<u>12,260,960</u>
Total Federal Assistance			<u>\$ 34,479,452</u>

## Mesquite Independent School District

### Notes on Accounting Policies for Federal Awards

**Note 1.** For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or committed to, 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 \$1,544,116, 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 Ten Months Ended June 30, 2021

Data Control Codes		Response
SF1	Was there an unmodified opinion in the Annual Financial Report on the statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	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? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.)	
	Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.	Yes
	Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
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 post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 19,831,735