

**MT. ENTERPRISE
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2020

Mt. Enterprise Independent School District
Annual Financial Report
For The Year Ended August 31, 2020

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Introductory Section

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CERTIFICATE OF BOARD

Mt. Enterprise Independent School District
Name of School District

Rusk
County

201-907
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2020, at a meeting of the board of trustees of such school district on the 14 day of December, 2020.


Signature of Board Secretary


Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

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Financial Section

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Morgan LaGrone, CPA, PLLC

Certified Public Accountant

Telephone: 903.657.0240
Fax: 903.655.1324

116 S Marshall
Henderson TX 75654

Independent Auditor's Report

To the Board of Trustees
Mt. Enterprise Independent School District
301 NW 3rd St.
Mt. Enterprise, Texas 75681

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 the Mt. Enterprise Independent School District ("the District") as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 Mt. Enterprise Independent School District as of August 31, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions identified as Required Supplementary Information in the table of contents 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 Mt. Enterprise Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information 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 and individual nonmajor fund financial statements and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020 on our consideration of Mt. Enterprise Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mt. Enterprise Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Morgan LaGrone, CPA, PLLC

Henderson, TX
December 8, 2020

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2020

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

FINANCIAL HIGHLIGHTS

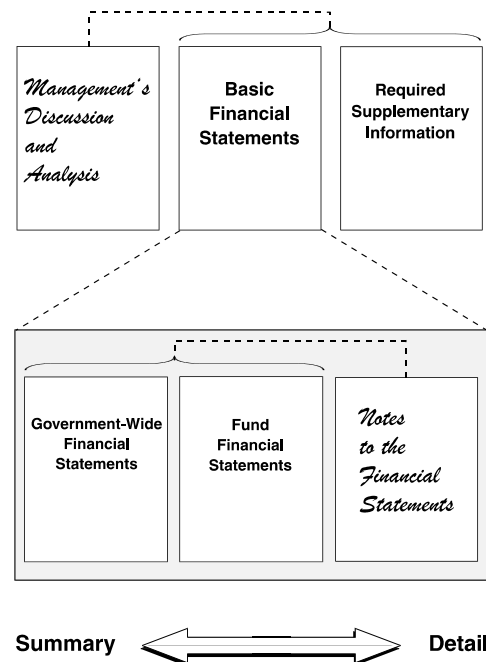
- The District's total combined net position was \$2,008,219 at August 31, 2020.
- During the year, the District's expenses were \$5,716,628, and the District generated \$6,187,243 in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased by 12.51%.
- The General Fund reported a fund balance this year of \$2,870,575, of which all is unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2020

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

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

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

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$2,008,219 at August 31, 2020.

\$35,357 of the District's restricted net position are restricted for food service and \$16,885 is restricted for debt service. The \$388,769 of unrestricted net position represents resources available to fund the programs of the District next year.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2020

Table A-1
Mt. Enterprise Independent School District
Net Position

	<u>2020</u>	<u>2019</u>	Increase/ (Decrease) <u>2019-2020</u>	Percentage Change <u>2019-2020</u>
Current and Other Assets	\$ 3,309,088	\$ 2,779,189	\$ 529,899	19.07%
Capital Assets	4,083,825	4,073,307	10,518	0.26%
Total Assets	<u>\$ 7,392,913</u>	<u>\$ 6,852,496</u>	<u>\$ 540,417</u>	<u>7.89%</u>
Deferred Outflow of Resources	\$ 151,148	\$ 160,450	\$ (9,302)	(5.80%)
Deferred Outflow Related to Pensions	617,951	667,972	(50,021)	(7.49%)
Deferred Outflow Related to OPEB	703,264	634,717	68,547	10.80%
Total Deferred Outflows of Resources	<u>\$ 1,472,363</u>	<u>\$ 1,463,139</u>	<u>\$ 9,224</u>	<u>0.63%</u>
Long-Term Liabilities Outstanding	\$ 5,617,760	\$ 5,739,840	\$ (122,080)	(2.13%)
Other Liabilities	261,566	377,023	(115,457)	(30.62%)
Total Liabilities	<u>\$ 5,879,326</u>	<u>\$ 6,116,863</u>	<u>\$ (237,537)</u>	<u>(3.88%)</u>
Deferred Inflow Related to Pensions	\$ 185,087	\$ 65,529	\$ 119,558	182.45%
Deferred Inflow Related to OPEB	792,644	593,642	199,002	33.52%
Total Deferred Inflows of Resources	<u>\$ 977,731</u>	<u>\$ 659,171</u>	<u>\$ 318,560</u>	<u>48.33%</u>
Net Position:				
Net Investment in Capital Assets	\$ 1,567,208	\$ 1,496,735	\$ 70,473	4.71%
Restricted	52,242	33,307	18,935	56.85%
Unrestricted	388,769	7,562	381,207	5041.09%
Total Net Position	<u>\$ 2,008,219</u>	<u>\$ 1,537,604</u>	<u>\$ 470,615</u>	<u>30.61%</u>

Table A-2
Mt. Enterprise Independent School District
Change in Net Position

	<u>2020</u>	<u>2019</u>	Increase/ (Decrease) <u>2019-2020</u>	Percentage Change <u>2019-2020</u>
Program Revenues:				
Charges for Services	\$ 46,372	\$ 57,880	\$ (11,508)	(19.88%)
Operating Grants & Contributions	929,222	795,477	133,745	16.81%
General Revenues:				
Property Taxes	681,952	703,205	(21,253)	(3.02%)
State Aid-Formula	4,513,805	3,419,189	1,094,616	32.01%
Other	15,892	27,496	(11,604)	(42.20%)
Total Revenues	<u>\$ 6,187,243</u>	<u>\$ 5,003,247</u>	<u>\$ 1,183,996</u>	<u>23.66%</u>
Functions/Programs:				
Instructional and Instructional-Related Services	\$ 3,237,421	\$ 2,848,473	\$ 388,948	13.65%
Instruction and School Leadership	301,306	267,839	33,467	12.50%
Support Services - Student	905,840	870,020	35,820	4.12%
Administrative Support Services	335,782	314,409	21,373	6.80%
Support Services - Non-Student Based	797,082	637,833	159,249	24.97%
Debt Service	94,368	97,158	(2,790)	(2.87%)
Intergovernmental Charges	44,829	45,227	(398)	(0.88%)
Total Expenses	<u>\$ 5,716,628</u>	<u>\$ 5,080,959</u>	<u>\$ 635,669</u>	<u>12.51%</u>
Increase/(Decrease) in Net Position	<u>\$ 470,615</u>	<u>\$ (77,712)</u>	<u>\$ 548,327</u>	<u>(705.59%)</u>

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020

Chart A-1
Mt. Enterprise Independent School District
Revenues for the Year Ended August 31, 2020

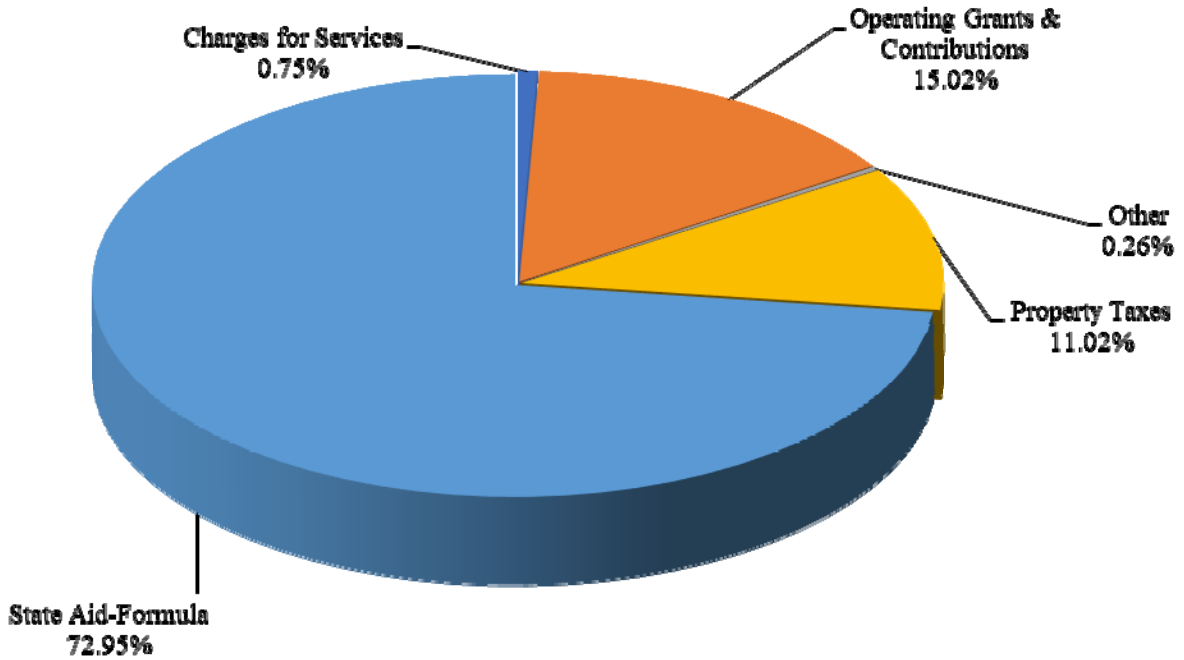
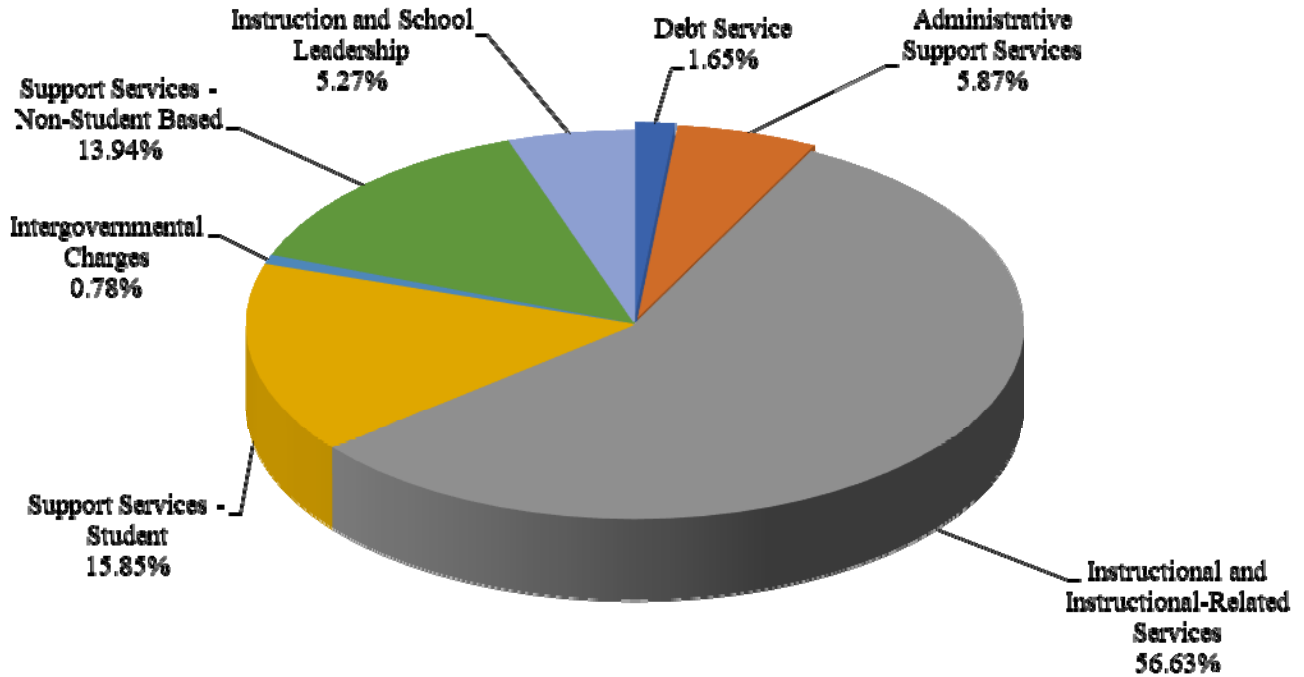


Chart A-2
Mt. Enterprise Independent School District
Expenses for the Year Ended August 31, 2020



MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2020

Change in net position. The District's total revenues were \$6,187,243. A significant portion, 79.25% comes from state aid – formula grants, 11.02% is from property taxes, 15.02% is from operating grants and contributions, .75% relates to charges for services, and .26% is from investment earnings and miscellaneous. The total cost of all programs and services was \$5,716,628; 72.48% of these costs are for instructional and student services.

The total property tax rate was \$1.13195 per \$100 valuation with an M&O rate of \$1.06835 per \$100 valuation and an I&S rate of \$0.0636 per \$100 valuation.

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what state revenues as well as local tax dollars funded.

- The cost of all governmental activities this year was \$5,716,628.
- The amount that our taxpayers paid for these activities through property taxes was \$681,952.
- Some of the cost was paid by those who directly benefited from the programs, \$46,372, or by grants and contributions, \$929,222.

Table A-3
Mt. Enterprise Independent School District
Net Cost of Selected District Functions

	Total Cost of Services			Net Cost of Services		
	2020	2019	% Change	2020	2019	% Change
Instruction	\$ 3,152,269	\$ 2,784,296	13.22%	\$ 2,640,843	\$ 2,429,583	8.70%
School Leadership	290,114	259,773	11.68%	265,111	243,974	8.66%
Food Services	231,491	213,355	8.50%	(878)	(27,021)	(96.75%)
Extracurricular Activities	443,701	448,157	(0.99%)	414,390	367,645	12.71%
General Administration	335,782	314,409	6.80%	316,917	298,635	6.12%
Facilities Maintenance & Operations	552,271	476,154	15.99%	521,360	461,540	12.96%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$6,026,689, an increase of \$1,158,372 from the preceding year. State revenue increased by \$1,136,031. Local revenues decreased by \$37,879, and federal revenues increased by \$60,220. The District's overall fund balance increased by \$643,701.

General Fund Budgetary Highlights

During the year, the District revised its budget as needed to reallocate the original budgeted expenditures. Overall budgeted expenditures increased by \$6,572. Actual expenditures were \$384,998 below final budget amounts. Additionally, available general fund revenues exceeded the estimated amounts by \$225,968. The District had initially planned on using approximately \$116,192 of fund balance in the 2020 budget, but because expenditures were less than anticipated, and revenues were more than anticipated, the District did not use any of their fund balance, increasing the fund balance in the General Fund to \$2,245,809.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the District had invested in \$8,947,787 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT*MANAGEMENT'S DISCUSSION AND ANALYSIS*

AUGUST 31, 2020

Table A-4
Mt. Enterprise Independent School District
Capital Assets

	<u>Governmental Activities</u>		Increase/ (Decrease)	Percentage Change
	<u>2020</u>	<u>2019</u>	<u>2019-2020</u>	<u>2019-2020</u>
	Land	\$ 117,176	\$ 117,176	\$ -
Buildings and Improvements	7,774,750	7,715,630	59,120	0.77%
Vehicles and Equipment	1,055,861	918,692	137,169	14.93%
Total Capital Assets	<u>\$ 8,947,787</u>	<u>\$ 8,751,498</u>	<u>\$ 196,289</u>	<u>2.24%</u>
Less: Accumulated Depreciation	(4,863,964)	(4,678,191)	(185,773)	3.97%
Net Capital Assets	<u>\$ 4,083,823</u>	<u>\$ 4,073,307</u>	<u>\$ 10,516</u>	<u>0.26%</u>

More detailed information about the District's capital assets is presented in Note D to the financial statements.

Long Term Debt

At year-end the District had \$5,617,760 in long-term debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in Note G to the financial statements.

Table A-5
Mt. Enterprise Independent School District
Long-Term Debt

	<u>Governmental Activities</u>		Increase/ (Decrease)	Percentage Change
	<u>2020</u>	<u>2019</u>	<u>2019-2020</u>	<u>2019-2020</u>
	General Obligation Bonds:			
Principal amount of Debt	\$ 2,410,000	\$ 2,510,000	\$ (100,000)	(3.98%)
Add: Premium on Issuance	142,920	151,697	(8,777)	(5.79%)
Loans Payable	114,845	75,327	39,518	52.46%
Net Pension Liability	1,117,777	1,127,531	(9,754)	(0.87%)
Net OPEB Liability	1,832,218	1,877,285	(45,067)	(2.40%)
Total Long-Term Debt	<u>\$ 5,617,760</u>	<u>\$ 5,741,840</u>	<u>\$ (124,080)</u>	<u>(2.16%)</u>

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2020 budget preparation was \$68,035,608, a 18% increase from 2020, with an M&O rate of \$1.0392 per \$100 valuation and an I&S rate of \$0.0636 per \$100 valuation for a total tax rate of \$1.1028 per \$100 valuation.
- The District's 2020 refined average daily attendance is expected to be 375. The District's 2020 enrollment is expected to be 400, decreasing because of COVID-19.

These indicators were taken into account when adopting the general fund budget for 2021. Amounts available for appropriation in the general fund budget are \$5,145,882, a decrease of \$50,688 from the final 2020 budget of \$5,196,570. The decrease is due to anticipated decreases in state program revenues for 2021. The District will use these revenues to finance the current programs that they offer.

Budgeted expenditures total \$5,145,882. If these estimates are realized, the District's General Fund budgetary fund balance is not expected to change by the close of 2021.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT STAFF

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Department.

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Basic Financial Statements

This page is left blank intentionally.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2020

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 2,768,184
1225	<i>Property Taxes Receivable (Net)</i>	128,412
1240	<i>Due from Other Governments</i>	412,492
Capital Assets:		
1510	<i>Land</i>	117,176
1520	<i>Buildings and Improvements, Net</i>	3,600,176
1530	<i>Furniture and Equipment, Net</i>	366,473
1000	Total Assets	<u>7,392,913</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	<i>Deferred Outflow of Resources - Deferred Amount on Refunding</i>	151,148
	<i>Deferred Outflow Related to Pensions</i>	617,951
	<i>Deferred Outflow Related to OPEB</i>	703,264
1700	Total Deferred Outflows of Resources	<u>1,472,363</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	9,576
2140	<i>Interest Payable</i>	3,706
2165	<i>Accrued Liabilities</i>	248,086
2300	<i>Unearned Revenue</i>	198
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	152,246
2502	<i>Due in More Than One Year</i>	2,515,519
2540	<i>Net Pension Liability</i>	1,117,777
2545	<i>Net OPEB Liability</i>	1,832,218
2000	Total Liabilities	<u>5,879,326</u>
DEFERRED INFLOWS OF RESOURCES:		
	<i>Deferred Inflow Related to Pensions</i>	185,087
	<i>Deferred Inflow Related to OPEB</i>	792,644
2600	Total Deferred Inflows of Resources	<u>977,731</u>
NET POSITION:		
3200	Net Investment in Capital Assets	1,567,208
Restricted For:		
3820	Federal and State Programs	35,357
3850	Debt Service	16,885
3900	Unrestricted	388,769
3000	Total Net Position	<u>\$ 2,008,219</u>

The accompanying notes are an integral part of this statement.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	<i>Instruction</i>	\$ 3,152,269	\$ --		\$ 511,426	\$ (2,640,843)
12	<i>Instructional Resources and Media Services</i>	82,632	--		7,849	(74,783)
13	<i>Curriculum and Staff Development</i>	2,520	--		--	(2,520)
21	<i>Instructional Leadership</i>	11,192	--		--	(11,192)
23	<i>School Leadership</i>	290,114	--		25,003	(265,111)
31	<i>Guidance, Counseling, & Evaluation Services</i>	83,262	--		8,733	(74,529)
33	<i>Health Services</i>	20,829	--		43,035	22,206
34	<i>Student Transportation</i>	126,557	--		4,938	(121,619)
35	<i>Food Service</i>	231,491	32,100		198,513	(878)
36	<i>Cocurricular/Extracurricular Activities</i>	443,701	14,272		15,039	(414,390)
41	<i>General Administration</i>	335,782	--		18,865	(316,917)
51	<i>Facilities Maintenance and Operations</i>	552,271	--		30,911	(521,360)
52	<i>Security and Monitoring Services</i>	102,552	--		6,514	(96,038)
53	<i>Data Processing Services</i>	142,259	--		4,685	(137,574)
72	<i>Interest on Long-term Debt</i>	84,766	--		53,711	(31,055)
73	<i>Bond Issuance Costs and Fees</i>	9,602	--		--	(9,602)
93	<i>Payments Related to Shared Services Arrangements</i>	44,829	--		--	(44,829)
TG	Total Governmental Activities	<u>5,716,628</u>	<u>46,372</u>		<u>929,222</u>	<u>(4,741,034)</u>
TP	Total Primary Government	<u>\$ 5,716,628</u>	<u>\$ 46,372</u>		<u>\$ 929,222</u>	<u>(4,741,034)</u>
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>					640,872
DT	<i>Property Taxes, Levied for Debt Service</i>					41,080
IE	<i>Investment Earnings</i>					8,654
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>					4,513,805
MI	<i>Miscellaneous</i>					7,238
TR	Total General Revenues					<u>5,211,649</u>
CN	Change in Net Position					470,615
NB	Net Position - Beginning					1,537,604
NE	Net Position - Ending					<u>\$ 2,008,219</u>

The accompanying notes are an integral part of this statement.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2020

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 2,775,279	\$ (7,095)	\$ 2,768,184
1225	Taxes Receivable, Net	120,881	7,531	128,412
1240	Due from Other Governments	331,987	80,505	412,492
1000	Total Assets	<u>3,228,147</u>	<u>80,941</u>	<u>3,309,088</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 3,506	\$ 6,070	\$ 9,576
2160	Accrued Wages Payable	214,141	13,661	227,802
2200	Accrued Expenditures	19,045	1,239	20,284
2300	Unearned Revenue	--	198	198
2000	Total Liabilities	<u>236,692</u>	<u>21,168</u>	<u>257,860</u>
DEFERRED INFLOWS OF RESOURCES:				
	Deferred Revenue	120,880	7,531	128,411
2600	Total Deferred Inflows of Resources	<u>120,880</u>	<u>7,531</u>	<u>128,411</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	35,357	35,357
3480	Retirement of Long-Term Debt	--	16,885	16,885
3600	Unassigned	2,870,575	--	2,870,575
3000	Total Fund Balances	<u>2,870,575</u>	<u>52,242</u>	<u>2,922,817</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 3,228,147</u>	<u>\$ 80,941</u>	<u>\$ 3,309,088</u>

The accompanying notes are an integral part of this statement.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2020*

Total fund balances - governmental funds balance sheet	\$ 2,922,817
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	4,083,825
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	128,411
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,410,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(3,706)
Payables for notes which are not due in the current period are not reported in the funds.	(114,844)
The unamortized deferred amount on bond refunding is not reported in the funds.	151,148
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,117,777)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(185,087)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	617,951
Bond premiums are amortized in the SNA but not in the funds.	(142,921)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(1,832,218)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(792,644)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>703,264</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 2,008,219</u>

The accompanying notes are an integral part of this statement.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 Local and Intermediate Sources	\$ 711,825	\$ 73,212	\$ 785,037
5800 State Program Revenues	4,697,678	143,108	4,840,786
5900 Federal Program Revenues	43,035	357,831	400,866
5020 Total Revenues	<u>5,452,538</u>	<u>574,151</u>	<u>6,026,689</u>
EXPENDITURES:			
Current:			
0011 Instruction	2,592,389	223,451	2,815,840
0012 Instructional Resources and Media Services	74,622	--	74,622
0013 Curriculum and Staff Development	2,520	--	2,520
0021 Instructional Leadership	8,538	2,654	11,192
0023 School Leadership	258,785	--	258,785
0031 Guidance, Counseling, & Evaluation Services	74,785	--	74,785
0033 Health Services	20,656	--	20,656
0034 Student Transportation	237,320	--	237,320
0035 Food Service	--	205,345	205,345
0036 Cocurricular/Extracurricular Activities	302,657	--	302,657
0041 General Administration	303,953	--	303,953
0051 Facilities Maintenance and Operations	516,147	6,188	522,335
0052 Security and Monitoring Services	90,479	16,377	106,856
0053 Data Processing Services	125,118	10,500	135,618
0071 Principal on Long-term Debt	60,473	100,000	160,473
0072 Interest on Long-term Debt	4,776	88,981	93,757
0073 Bond Issuance Costs and Fees	--	300	300
0081 Capital Outlay	100,097	11,040	111,137
0093 Payments to Shared Service Arrangements	44,829	--	44,829
6030 Total Expenditures	<u>4,818,144</u>	<u>664,836</u>	<u>5,482,980</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>634,394</u>	<u>(90,685)</u>	<u>543,709</u>
Other Financing Sources and (Uses):			
7914 Issuance of Non-Current Debt	99,992	--	99,992
7915 Transfers In	--	109,620	109,620
8911 Transfers Out	(109,620)	--	(109,620)
7080 Total Other Financing Sources and (Uses)	<u>(9,628)</u>	<u>109,620</u>	<u>99,992</u>
1200 Net Change in Fund Balances	624,766	18,935	643,701
0100 Fund Balances - Beginning	2,245,809	33,307	2,279,116
3000 Fund Balances - Ending	<u>\$ 2,870,575</u>	<u>\$ 52,242</u>	<u>\$ 2,922,817</u>

The accompanying notes are an integral part of this statement.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2020*

Net change in fund balances - total governmental funds	\$ 643,701
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	196,289
The depreciation of capital assets used in governmental activities is not reported in the funds.	(185,771)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	44,394
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	100,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	8,776
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	60,473
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(9,302)
(Increase) decrease in accrued interest from beginning of period to end of period.	215
Prior year's property tax collections are revenue in the funds but were reported in a prior period on the SOA.	(42,955)
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(99,992)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource c	(301,976)
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	159,115
Implementing GASB 75 required certain expenditures to be de-expended and recorded as deferred resource c	<u>(102,352)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 470,615</u>

The accompanying notes are an integral part of this statement.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2020

Data Control Codes		Agency Fund
<u>Codes</u>		<u>Student Activity Funds</u>
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 48,167
1000	Total Assets	<u>48,167</u>
	LIABILITIES:	
	Current Liabilities:	
2190	<i>Due to Student Groups</i>	\$ 48,167
2000	Total Liabilities	<u>48,167</u>
	NET POSITION:	
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

The District reports the following major governmental fund:

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

In addition, the District reports the following fund types:

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

b. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	15-75
Building Improvements	15-75
Transportation equipment	5-10
Furniture, fixtures, & Equipment	3-10

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. Receivable and Payable Balances

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

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

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

g. Use of Estimates

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

h. Data Control Codes

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

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

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

j. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

k. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020*

pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

5. Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to / deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

6. Implementation of New Standards

In the current fiscal year, the District did not implement any new standards from the Governmental Accounting Standards Board (GASB).

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was 2,815,975 and the bank balance was 2,844,496. The District's cash deposits at August 31, 2020 and during the year ended August 31, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

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, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investment at August 31, 2020 is shown below.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

Investment Accounting Policy

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. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 117,176	\$ --	\$ --	\$ 117,176
Total capital assets not being depreciated	<u>117,176</u>	<u>--</u>	<u>--</u>	<u>117,176</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	7,715,630	59,120	--	7,774,750
Vehicles and Equipment	918,692	253,964	116,795	1,055,861
Total capital assets being depreciated	<u>8,634,322</u>	<u>313,084</u>	<u>116,795</u>	<u>8,830,611</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,955,299)	(219,275)	--	(4,174,575)
Vehicles and Equipment	(722,892)	(83,292)	(116,795)	(689,389)
Total accumulated depreciation	<u>(4,678,191)</u>	<u>(302,566)</u>	<u>(116,795)</u>	<u>(4,863,964)</u>
Total capital assets being depreciated, net	3,956,131	10,518	--	3,966,647
Governmental activities capital assets, net	<u>\$ 4,073,307</u>	<u>\$ 10,518</u>	<u>\$ --</u>	<u>\$ 4,083,823</u>

Depreciation was charged to functions as follows:

Instruction	\$ 71,124
Instructional Resources and Media Services	1,879
School Leadership	6,708
Guidance, Counseling, & Evaluation Services	1,881
Health Services	113
Student Transportation	67,853
Food Services	8,707
Extracurricular Activities	123,709
General Administration	9,446
Plant Maintenance and Operations	7,987
Security and Monitoring Services	1,803
Data Processing Services	1,356
	<u>\$ 302,566</u>

E. Interfund Balances and Activities

Transfers to and from other funds at August 31, 2020, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Debt service fund	\$ 109,620	Provide resources for repayment of debt
	Total	<u>\$ 109,620</u>	

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

F. Property Taxes Receivable

	General Fund	Debt Service Fund	Total
Current Tax Year	\$ 40,862	\$ 2,439	\$ 43,301
Prior Tax Years	110,239	6,975	117,214
Total	151,101	9,414	160,514
Less: Allowance for Uncollectible Taxes	(30,220)	(1,883)	(32,103)
Net Taxes Receivable	<u>120,880</u>	<u>7,531</u>	<u>128,411</u>

G. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
2015 Refunding CIBs	\$ 2,510,000	\$ --	\$ --	\$ 2,510,000	\$ 100,000
Add: Premium on Issuance	151,697	--	8,776	142,920	--
Loan Payable - Bus	25,506	--	23,519	1,986	1,986
Loan Payable - Bus (2)	49,821	--	23,462	26,359	26,359
Loan Payable - Bus (3)	--	99,992	13,492	86,500	23,901
Net Pension Liability*	1,127,531	65,508	75,262	1,117,777	--
Net OPEB Liability*	1,877,285	(17,570)	27,497	1,832,218	--
Total governmental activities	<u>\$ 5,741,840</u>	<u>\$ 147,930</u>	<u>\$ 172,008</u>	<u>\$ 5,717,760</u>	<u>\$ 152,246</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Net Pension Liability*	Governmental	General
Net OPEB Liability*	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2020, are as follows:

Year Ending August 31,	Governmental Activities				
	Bonds		Notes from Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2021	\$ 100,000	84,231	52,246	\$ 4,170	\$ 56,416
2022	105,000	79,481	25,062	2,436	27,498
2023	115,000	74,494	26,278	1,219	27,497
2024	120,000	69,031	11,259	134	11,393
2025	125,000	63,331	--	--	--
2026-2030	690,000	246,619	--	--	--
2031-2035	805,000	133,294	--	--	--
2036-2037	350,000	16,407	--	--	--
Totals	<u>\$ 2,410,000</u>	<u>\$ 766,888</u>	<u>\$ 114,845</u>	<u>\$ 7,959</u>	<u>\$ 122,804</u>

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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The 2015 refunding bonds have interest rates that range from 3% to 4.75%. The loans payable for two buses are 4% and 4.25%, respectively.

H. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2020, as follows:

<u>Year Ending August 31,</u>	
2021	\$ 13,053
Total Minimum Rentals	<u>\$ 13,053</u>
Rental Expenditures in 2020	<u>\$ 13,053</u>

I. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

J. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS) and 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.

2. 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.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.

3. 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

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020*

previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

4. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	7.5%
Employers	6.8%	7.5%
District's 2020 Employer Contributions	\$ 91,725	
District's 2020 Member Contributions	\$ 247,213	
2019 NECE On-Behalf Contributions (state)	\$ 146,663	

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

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

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

5. Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

6. Discount Rate

The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on the pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized below:

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NOTES TO THE FINANCIAL STATEMENTS

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Teacher Retirement System of Texas			
Asset Allocation and Long-Term Expected Rate of Return			
As of August 31, 2019			
Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	0.0%	0.0%
Stable Value Hedge Funds	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy & Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation			2.3%
Alpha			-0.8%
Total	100.0%		7.2%

* Target allocation are based on the FY 2016 policy model.
 ** The expected contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

	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	\$ 1,718,186	\$ 1,117,777	\$ 631,330

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

At August 31, 2020, the District reported a liability of \$1,117,777 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	\$ 1,117,777
State's proportionate share that is associated with District	<u>2,178,297</u>
Total	<u>\$ 3,296,074</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

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

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0021502688% which was an increase (decrease) of 0.00017920% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation -

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

- The Total Pension Liability as of August 31, 2019 was developed using a roll-forward method from the August 31, 2018 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 6.907 percent as of August 31, 2019 to 7.25 percent as of August 31, 2020.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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

For the year ended August 31, 2020, the District recognized pension expense of \$593,730 and revenue of \$342,180 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(The amounts below will be the cumulative layers from the current and prior years combined)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,696	\$ 38,811
Changes in actuarial assumptions	346,789	143,310
Difference between projected and actual investment earnings	11,224	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	163,517	2,966
Contributions paid to TRS subsequent to the measurement date	91,725	--
Total	\$ 617,951	\$ 185,087

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

Year Ended August 31	Pension Expense Amount
2021	\$ 86,764
2022	\$ 73,410
2023	\$ 81,298
2024	\$ 75,029
2025	\$ 32,737
Thereafter	\$ (8,099)

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020*

K. Defined Other Post-Employment Benefit Plans

1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan 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.

2. 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.

3. Benefits Provided

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

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

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

TRS-Care Monthly for Retirees January 1, 2018 thru December 31, 2018		
	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

4. 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 0.75 percent of pay.

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Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2,019	2,020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%

District's 2020 Employer Contributions	\$	31,300
District's 2020 Member Contributions	\$	20,870
2019 NECE On-Behalf Contributions (state)	\$	36,535

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers are required to pay to TRS-Care a monthly surcharge of \$535 per retiree.

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

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed on the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in the 2019 CAFR for the Teacher Retirement System of Texas.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

- | | |
|-------------------------------|-------------------------|
| Rates of Mortality | General Inflation |
| Rates of Retirement | Wage Inflation |
| Rates of Termination | Expected Payroll Growth |
| Rates of Disability Incidence | |

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

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Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate *	3.69% *
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	3.00%
Projected Salary Increases	3.05% to 9.05%, including inflation ***
Healthcare Trend Rates **	8.50% **
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Ad Hoc Post-Employment Benefit Changes	None

*Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2018.

**8.50% for FY2019, decreasing 0.5% per year to 4.50% for FY2027 and later years.

*** Includes inflation at 2.5%.

6. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of net OPEB liability	\$ 2,212,074	\$ 1,832,218	\$ 1,535,055

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

At August 31, 2020, the District reported a liability of \$1,832,218 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 1,832,218
State's proportionate share that is associated with the District	<u>2,434,606</u>
Total	<u>\$ 4,266,824</u>

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE FINANCIAL STATEMENTS
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The Net OPEB liability was measured as of August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2020 the District's proportion of the collective net OPEB liability was 0.0038743274, which was an increase of 0.0001145631% from its proportion measured as of August 31, 2018.

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of net OPEB liability	\$ 1,494,658	\$ 1,832,218	\$ 2,284,390

9. Changes Since the Prior Actuarial Valuation

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2019. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2018. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

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

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

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provision or applicable law.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

Changes of benefit terms that affected measurement of the total OPEB liability during the measurement period are listed below:

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

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

For the year ended August 31, 2020, the District recognized OPEB expense of \$180,854 and revenue of \$64,166 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ 89,886	\$ 299,823
Changes in actuarial assumptions	101,765	492,821
Differences between projected and actual investment earnings	198	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	480,115	--
Contributions paid to TRS subsequent to the measurement date	31,300	
Total	<u>\$ 703,264</u>	<u>\$ 792,644</u>

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

Year ended August 31,	Amount
2021	\$ (33,997)
2022	\$ (33,997)
2023	\$ (34,061)
2024	\$ (34,099)
2025	\$ (34,089)
Thereafter	\$ 49,563

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the current fiscal year ended August 31, 2020, the subsidy payment received by TRS-Care on behalf of the District was \$15,423.

L. Employee Health Care Coverage

During the year ended August 31, 2020, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of 225 per pay period per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

Latest financial statements for the are available for the year ended , have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

M. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2020.

N. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for special education services with the following school districts:

Member Districts
Carlisle ISD
Laneville ISD
Leveretts Chapel ISD
Mt. Enterprise ISD
Overton ISD
Tatum ISD - Fiscal Agent

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Tatum ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

The SSA is accounted for using a combination of Model 1 and Model 3 in the SSA section of the Resource Guide. Mt. Enterprise ISD remits funds to the fiscal agent for the director, counselors, diagnosticians, and shared teachers. The District accounts for this portion of the SSA using Model 3.

O. Deferred Resources

The District has joined together with other area districts to form a self-insurance workers' compensation risk pool (pool). Claims administration and processing for the Pool is provided by Claims Administrative Services, Inc. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through commercial insurance companies for claims in excess of \$500,000 for each insured event, with an unlimited aggregate. The Pool contracts with Midwest Employers Casualty Company for reinsurance.

The District's administrative expenses for the years ended August 31, 2020 and 2019 were \$7,157 and \$5,038, respectively. Estimated total claims liability for the years ended August 31, 2020 and 2019, including estimated claims incurred but not reported, amount to \$14,595 and \$16,591, respectively. The estimated total liability for workers' compensation claims incurred but not reported amounted to \$17,601 and \$9,200 at August 31, 2020 and 2019, respectively.

	<u>2020</u>	<u>2019</u>
Claims liability, beginning of year		
Incurred claims:	\$ 16,591	\$ 18,425
Provisions for insured events of current year		
Increase (decrease) in provision for insured events of prior years	11,989	2,579
Total incurred claims	<u>(370)</u>	<u>(718)</u>
	<u>11,619</u>	<u>1,861</u>
Payments:		
Claims expenses attributable to insured events of current year		
Claims expenses attributable to insured events of prior years	11,989	619
Total payments	<u>1,626</u>	<u>3,076</u>
Total unpaid claims at the end of the year	<u>13,615</u>	<u>3,695</u>
	<u>14,595</u>	<u>16,591</u>

P. Subsequent Events

COVID-19

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Actions taken by the government to contain the virus has affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health implementations for our employees and students and securing the supply of materials that are essential for ensuring safety precautions are implemented.

At this stage, the impact on our District has not been significant, but COVID-19 has resulted in mandatory closure and may potentially affect collectability of future taxes of the District due to significant economic impact on employment of the District's residents.

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Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
REVENUES:							
5700	Local and Intermediate Sources	\$ 634,000	\$ 634,000	\$ 711,825	\$ 77,825		
5800	State Program Revenues	4,547,570	4,547,570	4,697,678	150,108		
5900	Federal Program Revenues	15,000	15,000	43,035	28,035		
5020	Total Revenues	<u>5,196,570</u>	<u>5,196,570</u>	<u>5,452,538</u>	<u>255,968</u>		
EXPENDITURES:							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	2,708,336	2,708,336	2,592,389	115,947		
0012	Instructional Resources and Media Services	75,039	76,039	74,622	1,417		
0013	Curriculum and Staff Development	10,050	9,510	2,520	6,990		
	Total Instruction & Instr. Related Services	<u>2,793,425</u>	<u>2,793,885</u>	<u>2,669,531</u>	<u>124,354</u>		
Instructional and School Leadership:							
0021	Instructional Leadership	8,500	9,040	8,538	502		
0023	School Leadership	263,704	263,704	258,785	4,919		
	Total Instructional & School Leadership	<u>272,204</u>	<u>272,744</u>	<u>267,323</u>	<u>5,421</u>		
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	78,548	78,548	74,785	3,763		
0033	Health Services	20,275	23,275	20,656	2,619		
0034	Student (Pupil) Transportation	191,597	291,589	237,320	54,269		
0036	Cocurricular/Extracurricular Activities	357,132	357,132	302,657	54,475		
	Total Support Services - Student (Pupil)	<u>647,552</u>	<u>750,544</u>	<u>635,418</u>	<u>115,126</u>		
Administrative Support Services:							
0041	General Administration	333,830	333,830	303,953	29,877		
	Total Administrative Support Services	<u>333,830</u>	<u>333,830</u>	<u>303,953</u>	<u>29,877</u>		
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	591,856	569,856	516,147	53,709		
0052	Security and Monitoring Services	99,690	99,690	90,479	9,211		
0053	Data Processing Services	149,993	149,993	125,118	24,875		
	Total Support Services - Nonstudent Based	<u>841,539</u>	<u>819,539</u>	<u>731,744</u>	<u>87,795</u>		
Debt Service:							
0071	Principal on Long-Term Debt	154,620	60,600	60,473	127		
0072	Interest on Long-Term Debt	6,300	6,900	4,776	2,124		
0073	Bond Issuance Costs and Fees	100	100	--	100		
	Total Debt Service	<u>161,020</u>	<u>67,600</u>	<u>65,249</u>	<u>2,351</u>		
Capital Outlay:							
0081	Capital Outlay	100,000	118,000	100,097	17,903		
	Total Capital Outlay	<u>100,000</u>	<u>118,000</u>	<u>100,097</u>	<u>17,903</u>		
Intergovernmental Charges:							
0093	Payments to Fiscal Agent/Member Dist.-SSA	47,000	47,000	44,829	2,171		
	Total Intergovernmental Charges	<u>47,000</u>	<u>47,000</u>	<u>44,829</u>	<u>2,171</u>		
6030	Total Expenditures	<u>5,196,570</u>	<u>5,203,142</u>	<u>4,818,144</u>	<u>384,998</u>		
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	--	(6,572)	634,394	640,966		
Other Financing Sources (Uses):							
7914	Issuance of Non-Current Debt	--	--	99,992	99,992		
8911	Transfers Out	--	(109,620)	(109,620)	--		
7080	Total Other Financing Sources and (Uses)	--	(109,620)	(9,628)	99,992		
1200	Net Change in Fund Balance	--	(116,192)	624,766	740,958		
0100	Fund Balance - Beginning	2,245,809	2,245,809	2,245,809	--		
3000	Fund Balance - Ending	<u>\$ 2,245,809</u>	<u>\$ 2,129,617</u>	<u>\$ 2,870,575</u>	<u>\$ 740,958</u>		

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS **

	Measurement Year Ended August 31,					
	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.002150%	0.002048%	0.001807%	0.001821%	0.001815%	0.001036%
District's proportionate share of the net pension liability (asset)	\$ 1,117,777	\$ 1,127,531	\$ 577,636	\$ 688,108	\$ 641,720	\$ 276,703
State's proportionate share of the net pension liability (asset) associated with the District	2,178,297	2,341,115	1,356,981	1,631,497	1,531,389	1,366,796
Total	<u>\$ 3,296,074</u>	<u>\$ 3,468,646</u>	<u>\$ 1,934,617</u>	<u>\$ 2,319,605</u>	<u>\$ 2,173,109</u>	<u>\$ 1,643,499</u>
District's covered-employee payroll	\$ 2,722,707	\$ 2,423,656	\$ 2,423,656	\$ 2,356,817	\$ 2,189,914	\$ 2,229,109
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.05%	46.52%	23.83%	29.20%	29.30%	12.41%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS **

	Fiscal Year					
	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 91,725	\$ 75,262	\$ 68,446	\$ 59,209	\$ 71,717	\$ 23,493
Contributions in relation to the contractually required contribution	(91,725)	(75,262)	(68,446)	(59,209)	(71,717)	(23,493)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 3,210,563	\$ 2,722,707	\$ 2,577,655	\$ 2,423,746	\$ 2,356,817	\$ 2,189,914
Contributions as a percentage of covered-employee payroll	2.86%	2.76%	2.66%	2.44%	3.04%	1.07%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 LAST TEN FISCAL YEARS *

	Measurement Year Ended		
	2019	2018	2017
District's proportion of the collective net OPEB liability	0.003874%	0.003760%	0.002892%
District's proportionate share of the collective net OPEB liability	\$ 1,832,218	\$ 1,877,285	\$ 1,257,577
State proportionate share of the collective net OPEB liability associated with the District	\$ 2,434,606	\$ 2,245,708	\$ 1,918,927
Total	\$ 4,266,824	\$ 4,122,993	\$ 3,176,504
District's covered-employee payroll	\$ 2,722,707	\$ 2,423,656	\$ 2,423,656
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	67.29%	77.46%	51.89%
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS**TEACHER RETIREMENT SYSTEM OF TEXAS**LAST TEN FISCAL YEARS **

	Fiscal Year Ended		
	2020	2019	2018
Statorily or contractually required District contribution	\$ 31,300	\$ 27,497	\$ 25,402
Contributions recognized by OPEB in relation to statorily or contractually required contribution	(31,300)	(27,497)	(25,402)
Contribution deficiency (excess)	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 3,210,563	\$ 2,722,707	\$ 2,577,655
Contributions as a percentage of covered-employee payroll	0.97%	1.01%	0.99%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2020

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2020

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)	
ASSETS:				
1110	Cash and Cash Equivalents	\$ (24,103)	\$ 17,008	\$ (7,095)
1225	Taxes Receivable, Net	--	7,531	7,531
1240	Due from Other Governments	80,245	260	80,505
1000	Total Assets	<u>56,142</u>	<u>24,799</u>	<u>80,941</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 5,885	\$ 185	\$ 6,070
2160	Accrued Wages Payable	13,661	--	13,661
2200	Accrued Expenditures	1,239	--	1,239
2300	Unearned Revenue	--	198	198
2000	Total Liabilities	<u>20,785</u>	<u>383</u>	<u>21,168</u>
DEFERRED INFLOWS OF RESOURCES:				
	Deferred Revenue	--	7,531	7,531
2600	Total Deferred Inflows of Resources	<u>--</u>	<u>7,531</u>	<u>7,531</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	35,357	--	35,357
3480	Retirement of Long-Term Debt	--	16,885	16,885
3000	Total Fund Balances	<u>35,357</u>	<u>16,885</u>	<u>52,242</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 56,142</u>	<u>\$ 24,799</u>	<u>\$ 80,941</u>

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 32,100	\$ 41,112	\$ 73,212
5800 <i>State Program Revenues</i>	89,397	53,711	143,108
5900 <i>Federal Program Revenues</i>	357,831	--	357,831
5020 Total Revenues	<u>479,328</u>	<u>94,823</u>	<u>574,151</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	223,451	--	223,451
0021 <i>Instructional Leadership</i>	2,654	--	2,654
0035 <i>Food Service</i>	205,345	--	205,345
0051 <i>Facilities Maintenance and Operations</i>	6,188	--	6,188
0052 <i>Security and Monitoring Services</i>	16,377	--	16,377
0053 <i>Data Processing Services</i>	10,500	--	10,500
0071 <i>Principal on Long-term Debt</i>	--	100,000	100,000
0072 <i>Interest on Long-term Debt</i>	--	88,981	88,981
0073 <i>Bond Issuance Costs and Fees</i>	--	300	300
0081 <i>Capital Outlay</i>	11,040	--	11,040
6030 Total Expenditures	<u>475,555</u>	<u>189,281</u>	<u>664,836</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>3,773</u>	<u>(94,458)</u>	<u>(90,685)</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	109,620	109,620
7080 Total Other Financing Sources and (Uses)	--	109,620	109,620
1200 Net Change in Fund Balances	<u>3,773</u>	<u>15,162</u>	<u>18,935</u>
0100 Fund Balances - Beginning	31,584	1,723	33,307
3000 Fund Balances - Ending	<u>\$ 35,357</u>	<u>\$ 16,885</u>	<u>\$ 52,242</u>

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2020

Data Control Codes		211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting
ASSETS:				
1110	Cash and Cash Equivalents	\$ --	\$ 35,259	\$ --
1240	Due from Other Governments	6,706	8,575	1,096
1000	Total Assets	<u>6,706</u>	<u>43,834</u>	<u>1,096</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ 5,885	\$ --
2160	Accrued Wages Payable	6,064	2,511	989
2200	Accrued Expenditures	642	81	107
2000	Total Liabilities	<u>6,706</u>	<u>8,477</u>	<u>1,096</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	35,357	--
3000	Total Fund Balances	<u>--</u>	<u>35,357</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 6,706</u>	<u>\$ 43,834</u>	<u>\$ 1,096</u>

266 ARRA of 2009 Title XIV State Fiscal Stabilization	270 ESEA, Title VI Part B, Subpart 2 Rural School	289 Title IV, Part A Subpart 1	429 State Funded Special Revenue Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ (42,985) <u>42,985</u> <u> --</u>	\$ -- <u>3,473</u> <u>3,473</u>	\$ -- <u>1,033</u> <u>1,033</u>	\$ (16,377) <u>16,377</u> <u> --</u>	\$ (24,103) <u>80,245</u> <u>56,142</u>
\$ -- <u> --</u> <u> --</u> <u> --</u>	\$ -- <u>3,165</u> <u>308</u> <u>3,473</u>	\$ -- <u>932</u> <u>101</u> <u>1,033</u>	\$ -- <u> --</u> <u> --</u> <u> --</u>	\$ 5,885 <u>13,661</u> <u>1,239</u> <u>20,785</u>
<u> --</u> <u> --</u>	<u> --</u> <u> --</u>	<u> --</u> <u> --</u>	<u> --</u> <u> --</u>	<u>35,357</u> <u>35,357</u>
\$ <u> --</u>	\$ <u>3,473</u>	\$ <u>1,033</u>	\$ <u> --</u>	\$ <u>56,142</u>

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 32,100	\$ --
5800 <i>State Program Revenues</i>	--	7,678	--
5900 <i>Federal Program Revenues</i>	61,662	186,568	11,796
5020 Total Revenues	<u>61,662</u>	<u>226,346</u>	<u>11,796</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	60,444	--	11,560
0021 <i>Instructional Leadership</i>	1,218	--	236
0035 <i>Food Service</i>	--	205,345	--
0051 <i>Facilities Maintenance and Operations</i>	--	6,188	--
0052 <i>Security and Monitoring Services</i>	--	--	--
0053 <i>Data Processing Services</i>	--	--	--
0081 <i>Capital Outlay</i>	--	11,040	--
6030 Total Expenditures	<u>61,662</u>	<u>222,573</u>	<u>11,796</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	3,773	--
1200 Net Change in Fund Balances	--	3,773	--
0100 Fund Balances - Beginning	--	31,584	--
3000 Fund Balances - Ending	\$ --	\$ 35,357	\$ --

266 ARRA of 2009 Title XIV State Fiscal Stabilization	270 ESEA, Title VI Part B, Subpart 2 Rural School	276 Title I SIP Academy Grant	289 Title IV, Part A Subpart 1	397 Advanced Placement Incentives
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	4
42,985	34,276	10,500	10,044	--
<u>42,985</u>	<u>34,276</u>	<u>10,500</u>	<u>10,044</u>	<u>4</u>
41,985	34,276	--	9,844	4
1,000	--	--	200	--
--	--	--	--	--
--	--	--	--	--
--	--	10,500	--	--
--	--	--	--	--
<u>42,985</u>	<u>34,276</u>	<u>10,500</u>	<u>10,044</u>	<u>4</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --

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MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	410 State Textbook Fund	429 State Funded Special Revenue Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
REVENUES:			
5700 Local and Intermediate Sources	\$ --	\$ --	\$ 32,100
5800 State Program Revenues	58,877	22,838	89,397
5900 Federal Program Revenues	--	--	357,831
5020 Total Revenues	<u>58,877</u>	<u>22,838</u>	<u>479,328</u>
EXPENDITURES:			
Current:			
0011 Instruction	58,877	6,461	223,451
0021 Instructional Leadership	--	--	2,654
0035 Food Service	--	--	205,345
0051 Facilities Maintenance and Operations	--	--	6,188
0052 Security and Monitoring Services	--	16,377	16,377
0053 Data Processing Services	--	--	10,500
0081 Capital Outlay	--	--	11,040
6030 Total Expenditures	<u>58,877</u>	<u>22,838</u>	<u>475,555</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	--	3,773
1200 Net Change in Fund Balances	--	--	3,773
0100 Fund Balances - Beginning	--	--	31,584
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 35,357</u>

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Other Supplementary Information

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

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2020*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2011 and Prior Years	\$ Various	\$ Various	\$ Various
2012	1.04	.1736	57,972,479
2013	1.17	.0436	58,585,650
2014	1.17	.0436	54,296,803
2015	1.17	.0636	56,119,392
2016	1.17	.0636	53,818,885
2017	1.17	.0636	53,816,667
2018	1.17	.0636	54,928,618
2019	1.17	.0636	56,184,715
2020 (School Year Under Audit)	1.07	.0636	58,941,354

1000 Totals

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

10 Beginning Balance 9/1/19	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/20
\$ 38,223	\$ --	\$ 2,395	\$ 224	\$ (4,066)	\$ 31,538
6,305	--	492	82	(507)	5,224
6,872	--	515	19	(504)	5,834
8,164	--	1,102	50	(65)	6,947
9,814	--	873	48	(553)	8,340
12,524	--	1,018	55	(553)	10,898
16,681	--	2,723	147	(925)	12,886
19,640	--	3,493	190	(1,836)	14,121
40,488	--	16,993	913	(1,157)	21,425
--	668,159	587,707	36,286	(866)	43,300
<u>\$ 158,712</u>	<u>\$ 668,159</u>	<u>\$ 617,311</u>	<u>\$ 38,014</u>	<u>\$ (11,032)</u>	<u>\$ 160,514</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 39,000	\$ 32,100	\$ (6,900)
5800 <i>State Program Revenues</i>	6,914	7,678	764
5900 <i>Federal Program Revenues</i>	140,000	186,568	46,568
5020 Total Revenues	<u>185,914</u>	<u>226,346</u>	<u>40,432</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	213,914	205,345	8,569
Total Support Services - Student (Pupil)	<u>213,914</u>	<u>205,345</u>	<u>8,569</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	8,000	6,188	1,812
Total Support Services - Nonstudent Based	<u>8,000</u>	<u>6,188</u>	<u>1,812</u>
Capital Outlay:			
0081 <i>Capital Outlay</i>	12,000	11,040	960
Total Capital Outlay	<u>12,000</u>	<u>11,040</u>	<u>960</u>
6030 Total Expenditures	<u>233,914</u>	<u>222,573</u>	<u>11,341</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(48,000)	3,773	51,773
1200 Net Change in Fund Balance	<u>(48,000)</u>	<u>3,773</u>	<u>51,773</u>
0100 Fund Balance - Beginning	31,584	31,584	--
3000 Fund Balance - Ending	<u>\$ (16,416)</u>	<u>\$ 35,357</u>	<u>\$ 51,773</u>

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 36,750	\$ 41,112	\$ 4,362
5800 <i>State Program Revenues</i>	43,112	53,711	10,599
5020 <i>Total Revenues</i>	<u>79,862</u>	<u>94,823</u>	<u>14,961</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	100,000	100,000	--
0072 <i>Interest on Long-Term Debt</i>	88,982	88,981	1
0073 <i>Bond Issuance Costs and Fees</i>	500	300	200
<i>Total Debt Service</i>	<u>189,482</u>	<u>189,281</u>	<u>201</u>
6030 <i>Total Expenditures</i>	<u>189,482</u>	<u>189,281</u>	<u>201</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(109,620)</u>	<u>(94,458)</u>	<u>15,162</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	109,620	109,620	--
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>109,620</u>	<u>109,620</u>	<u>--</u>
1200 <i>Net Change in Fund Balance</i>	--	15,162	15,162
0100 <i>Fund Balance - Beginning</i>	1,723	1,723	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 1,723</u>	<u>\$ 16,885</u>	<u>\$ 15,162</u>

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Morgan LaGrone, CPA, PLLC

Certified Public Accountant

Telephone: 903.657.0240
Fax: 903.655.1324

116 S Marshall
Henderson TX 75654

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
Mt. Enterprise Independent School District
301 NW 3rd St.
Mt. Enterprise, Texas 75681

Members of the Board of Trustees:

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 Mt. Enterprise Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise Mt. Enterprise Independent School District's basic financial statements, and have issued our report thereon dated December 8, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mt. Enterprise Independent School 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 Mt. Enterprise Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mt. Enterprise Independent School District's internal control.

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

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

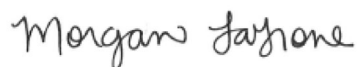
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mt. Enterprise Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Morgan LaGrone, CPA, PLLC

Henderson, TX
December 8, 2020

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes N/A

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes N/A

Type of auditor's report issued on compliance for major programs: Not applicable

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes N/A

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Not applicable	

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes N/A

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Not applicable for the year ended August 31, 2020.		

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2020

Not applicable for the year ended August 31, 2020.

MT. ENTERPRISE INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2020*

<u>Data Control Codes</u>	<u>Responses</u>	
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial 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 Teacher 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 warranty hold was issued, the school district is considered to not have made timely payments.)	Yes
	Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.	
	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 statues, 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	\$ --