

**AUDIT REPORT**  
**MERIDIAN WORLD SCHOOL, LLC**  
**FOR THE YEAR ENDED**  
**AUGUST 31, 2021**

## TABLE OF CONTENTS

	<u>PAGE</u>
Certificate of Board	1
Independent Auditors' Report	2-3
General-Purpose Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-19
Supplementary Information	
Statement of Activities	20
Schedule of Expenses	21
Schedule of Capital Assets	22
Budgetary Comparison Schedule	23
Federal Sections	
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 Governmental Auditing Standards	24-25
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	26-27
Schedule of Findings and Questioned Costs	28
Schedule of Expenditures of Federal Awards	29
Notes to the Schedule of Expenditures of Federal Awards	30

**CERTIFICATE OF BOARD**

MERIDIAN WORLD SCHOOL, LLC.  
Name of Charter School

Williamson  
County

246-801  
Co.-District Number

We, the undersigned, certify that the attached annual financial reports of the above named charter school were reviewed and (check one) X approved \_\_\_\_\_ disapproved for the year ended August 31, 2021, at a meeting of the Board of Directors of such school on the 24th day of January 2022.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

If the Board of Directors disapproved of the auditor's report, the reason(s) for disapproving it is (are):  
(Attach list as necessary.)

# MITCHELL T. FONTENOTE

## CERTIFIED PUBLIC ACCOUNTANT

### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Meridian World School, LLC  
Round Rock, Texas

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Meridian World School, LLC (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meridian World School, LLC as of August 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

2428 NALL STREET • PORT NECHES, TEXAS 77651  
PHONE (409) 722-6300 • FAX (409) 722-6301  
MITCHELL@MTFCPAS.COM

Board of Directors  
MERIDIAN WORLD SCHOOL, LLC.  
Round Rock, Texas  
January 20, 2022

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2022, on our consideration of Meridian World School, LLC'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 Meridian World School, LLC'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 Meridian World School, LLC's internal control over financial reporting and compliance.

*Mitchell T. Fontenote CPA, Inc.*

Port Neches, Texas  
January 20, 2022

**GENERAL-PURPOSE  
FINANCIAL STATEMENTS**

**MERIDIAN WORLD SCHOOL, LLC**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED**  
**AUGUST 31, 2021**

**ASSETS**

Current Assets	
Cash and cash equivalents	\$ 4,204,828
Due from state/federal	1,826,582
Other receivables	70,550
Prepaid expenses	51,670
Total current assets	<u>6,153,630</u>
Non-Current Assets	
Capital Assets, net of depreciation	
Buildings & Improvements, net of accumulated depreciation	24,759,375
Library Books & Media, net of accumulated depreciation	4,333
Furniture & Equipment, net of accumulated depreciation	527,070
Total Capital Assets, net of depreciation	<u>25,290,778</u>
Other Assets	
Restricted Assets	
Bond proceeds held in trust	2,097,895
Total Restricted Assets	<u>2,097,895</u>
Total assets	<u>\$ 33,542,303</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities	
Accounts payable	\$ 195,458
Accrued liabilities	951,556
Deferred revenue	30,136
Current portion of long-term debt	600,000
Total current liabilities	<u>1,777,150</u>
Noncurrent Liabilities	
Long term debt	25,865,758
Total noncurrent liabilities	<u>25,865,758</u>
Net Assets	
With Donor Restrictions	1,394,890
Without Donor Restrictions	4,504,505
Total net assets	<u>5,899,395</u>
Total liabilities and net assets	<u>\$ 33,542,303</u>

The accompanying notes are an integral part of this financial statement.

**MERIDIAN WORLD SCHOOL, LLC**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED  
AUGUST 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Totals
<b>REVENUES</b>			
Local Support:			
5742 Bank Interest	\$ 41,303	\$ -	\$ 41,303
5744 Gifts & Bequests	359,058	-	359,058
5748 Triple A Program Revenue	243,162	-	243,162
5749 Local Sources Revenue	78,852	-	78,852
5751 Food Service Activity	60,342	-	60,342
5752 Athletic Activities	59,243	-	59,243
5755 Enterprising Service Revenue	1,289	-	1,289
5756 Café Non-Program Food Revenue	4,380	-	4,380
5759 Cocurricular Enterprising Services	1,001	-	1,001
Total revenues from local sources	848,630	-	848,630
State Program Revenues:			
5811 Per Capital	-	711,425	711,425
5812 Foundation School Program	-	14,545,445	14,545,445
5819 Other Foundation School Program Act Rev	-	13,666	13,666
5829 State Program Rev Distributed by TEA	-	128,678	128,678
Total state program revenues	-	15,399,214	15,399,214
Federal Program Revenues:			
5919 CARES Act	-	168,900	168,900
5921 School Breakfast Program	-	48,004	48,004
5922 National School Lunch Program	-	248,830	248,830
5929 Federal Rev Distributed by TEA	-	590,973	590,973
5949 Federal Rev Distributed Directly from the Federal Gov	-	9,189	9,189
Total federal program revenues	-	1,065,896	1,065,896
Net assets released from restrictions:			
Restrictions satisfied by payments	16,859,120	(16,859,120)	-
Total revenues	\$ 17,707,750	\$ (394,010)	\$ 17,313,740
<b>EXPENSES</b>			
Program Services:			
Instruction and Instructional-Related Services	\$ 10,120,003	\$ -	\$ 10,120,003
Instructional and School Leadership	1,365,421	-	1,365,421
Support Services:			
Administrative Support Services	822,758	-	822,758
Support Services-Non-Student Based	1,640,696	-	1,640,696
Support Services-Student (Pupil)	1,123,579	-	1,123,579
Community Services	309,384	-	309,384
Debt Service	1,474,140	-	1,474,140
Fundrasing	3,139	-	3,139
Total expenses	16,859,120	-	16,859,120
Change in net assets	848,630	(394,010)	454,620
Net assets, beginning of year	3,655,875	1,788,900	5,444,775
Net assets, end of year	\$ 4,504,505	\$ 1,394,890	\$ 5,899,395

The accompanying notes are an integral part of this financial statement.



**MERIDIAN WORLD SCHOOL, LLC**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED**  
**AUGUST 31, 2021**

	Program	Supporting Activities		Total
	Activities	General &	Fundraising	
	Program Services	Administrative	Fundraising	
<b>EXPENSES</b>				
Salaries and Wages	\$ 9,173,711	\$ 1,851,185	\$ -	\$ 11,024,896
Employee Benefits	1,090,561	209,408	-	1,299,969
Payroll Taxes	141,209	35,623	-	176,832
Total Payroll Expenses	<u>10,405,481</u>	<u>2,096,216</u>	<u>-</u>	<u>12,501,697</u>
Rental Expense	100,307	5,601	-	105,907
Contract Labor	9,406	218,519	-	227,925
Maintenance and Repairs	11,364	155,847	-	167,211
Utilities	-	321,330	-	321,330
Depreciation	183,471	555,025	-	738,496
Supplies	226,563	120,338	2,741	349,643
Food	-	203,025	-	203,025
Travel	67,692	4,690	-	72,382
Instructional Materials	21,345	32,297	-	53,641
Insurance Bonding	37,622	65,798	-	103,420
Professional Fees and Dues	220,944	39,614	-	260,558
Small Equipment	131,236	16,327	-	147,563
Interest on Debt	-	1,444,485	-	1,444,485
Amortization of Bond & Other Debt				
Related Costs	-	29,655	-	29,655
Other Debt Service Fees	-	-	-	-
Other	69,994	61,790	397	132,181
Total Non-payroll Expenses	<u>1,079,943</u>	<u>3,274,340</u>	<u>3,139</u>	<u>4,357,423</u>
<b>TOTAL OF FUNCTIONAL EXPENSES</b>	<u>\$ 11,485,424</u>	<u>\$ 5,370,557</u>	<u>\$ 3,139</u>	<u>\$ 16,859,120</u>

The accompanying notes are an integral part of this financial statement.

**MERIDIAN WORLD SCHOOL, LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED**  
**AUGUST 31, 2021**

---

**CASH FLOWS FROM OPERATING ACTIVITIES**

Changes in net assets	\$ 454,620
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	738,497
Bond issuance costs	29,654
Changes in operating assets and liabilities:	
Due from state/federal	94,703
Other receivables	54,805
Prepaid expenses	(34,597)
Accounts payable	(222,421)
Accrued liabilities	10,973
Deferred revenue	4,204
Net cash provided by operating activities	<u>1,130,438</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of fixed assets	<u>(273,727)</u>
Net cash used by investing activities	<u>(273,727)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal repayments of bond payables	<u>(575,000)</u>
Net cash used by financing activities	<u>(575,000)</u>
Net increase (decrease) in cash and cash equivalents	281,711
Cash and cash equivalents at beginning of year	6,021,012
Cash and cash equivalents at end of year	<u>\$ 6,302,723</u>

Summary of cash and cash equivalents:

Cash and cash equivalents	\$ 4,204,828
Bond proceeds held in trust	<u>2,097,895</u>
Total cash and cash equivalents	<u>\$ 6,302,723</u>

The accompanying notes are an integral part of this financial statement.

MERIDIAN WORLD SCHOOL, LLC

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The general-purpose financial statements of Meridian World School, LLC were prepared in conformity with accounting principles generally accepted in the United States. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

- A. **Reporting Entity** – The Corporation is a not-for-profit organization incorporated in the State of Texas in September 2010. On April 20, 2009, the School was recognized as an organization exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. International Academy Williamson County is the sole member of Meridian World School, LLC. The corporation is governed by a Board of Directors. The Board of Directors is selected pursuant to the bylaws of the corporation and has the authority to make decisions, appoint the chief executive officer of the corporation, and significantly influence operations. The Board of Directors has the primary accountability for the fiscal affairs of the corporation.

Since the corporation received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

- B. **Corporate Operations** - Meridian World School, LLC provides general education services for students in grades K through Grade 12. The School operates under an open enrollment charter granted by the Texas State Board of Education. This charter was issued initially for a period of five years; as of August 31, 2021, the School's charter has been renewed through the 2024-2025 school year. The School (Charter holder) only operates the Charter School. The School is part of the public school system of the State of Texas and is therefore entitled to distribution from the State's available school fund. The Charter School does not have the authority to impose ad valorem taxes or to charge tuition.
- C. **Basis of Accounting and Presentation** – The accompanying general-purpose financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial statement presentation follows the recommendation of the financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-profit Organization. Under those provisions, net assets and revenues, expenses, gains and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Restricted revenues whose restrictions are met in the same year as received are shown as unrestricted revenues. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

**Unrestricted** - Net assets that are not subject to donor-imposed stipulations.

**Temporarily restricted** - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the School, the charter school and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Permanently restricted** - Net assets required to be maintained in perpetuity with only the income to be used for the School's activities due to donor-imposed restrictions.

MERIDIAN WORLD SCHOOL, LLC  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2021

---

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES – Cont'd

- D. **Cash and Cash Equivalents** – For financial statement purposes, cash and cash equivalents are comprised of cash on hand and in banks.
- E. **Property and Equipment** – All assets acquired with a value of \$5,000 or greater are recorded as fixed assets and are valued at cost or estimated cost. Donated assets are reported at the fair market value at the time of acquisition. Depreciation of building improvements and equipment is provided over the estimated useful lives of the assets on a straight-line basis.
- F. **Government Grants and Program Revenues** – Revenues from the State of Texas available school fund are earned based on reported attendance. Government grant contracts that are entered into by the School are recognized as revenue when services are rendered or when expenses in connection with those services are incurred.
- G. **Contributions** – Contributions are accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.
- Support that is restricted by the donor is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- H. **Contributed Services** – During the year ended August 31, 2021, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the School, but these services do not meet the criteria for recognition as contributed services.
- I. **Vacations** – Twelve month employees can roll over vacations, but there were only three at the end of the year with non-substantial time available; therefore, no liability is accrued on the financial statements for unused time applicable to vacation or personal leave.
- J. **Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – RESTRICTED ASSETS

The School has restricted assets in the total amount of \$2,097,895 all of which is restricted for meeting future debt service requirements.

**MERIDIAN WORLD SCHOOL, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2021**

---

**NOTE 3 – DUE FROM STATE**

At August 31, 2021, the School had earned the following revenues which were not received until after September 1, 2020.

Due From TEA	\$	1,575,098
Due From Federal Agencies		251,484
Total Due from State	\$	<u>1,826,581</u>

**NOTE 4 – CAPITAL ASSETS**

An analysis of fixed assets at August 31, 2021 is presented as follows:

Buildings & Improvements	\$	28,146,040
Library Books & Media		130,044
Furniture & Equipment		1,633,063
Less: Accumulated Depreciation		<u>(4,618,369)</u>
Property and Equipment, Net	\$	<u>25,290,778</u>

Capital assets acquired with public funds received by the School for the operation of Meridian World School, LLC constitute public property pursuant to Chapter 12 of the Texas Education Code. These assets are specifically identified on the Schedule of Capital Assets.

The School also recorded \$29,654 in amortization expense related to capitalized bond issuance costs for the year ended August 31, 2021.

**NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS**

The School had \$1,394,890 in net assets with donor restrictions at August 31, 2021. These amounts are subject to restrictions put in place by the Texas Education Agency.

**NOTE 6 – PENSION PLAN OBLIGATIONS**

*Plan Description.* Meridian World School, LLC 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). It is a defined benefit pension plan 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 workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

MERIDIAN WORLD SCHOOL, LLC  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2021

---

**Pension Plan Fiduciary Net Position.** Detailed 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 <http://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

The information provided in the Notes to the Financial Statements in the 2020 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2020.

<u>Components of Net Pension Liability</u>	<u>Amount</u>
Total Pension Liability	\$ 218,974,205,084
Less: Plan Fiduciary Net Position	(165,416,245,243)
Net Pension Liability	<u>\$ 53,557,959,841</u>
Net Position as Percentage of Total Pension Liability	75.54%

**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 203 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 age is 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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. Actuarial implications of the funding provided in the manner are determined by the system's actuary.

In May 2019, the 86<sup>th</sup> Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers, and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13<sup>th</sup> check in September 2019. All eligible members retired as of December 31, 2018, received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

**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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Form Bill (Senate Bill 12) of the 86<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025. Contribution Rates can be found in the TRS 2020 ACFR, Note 11, on page 82.

MERIDIAN WORLD SCHOOL, LLC

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

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

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 (including public 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 or 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 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- 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.

**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 rolled forward to August 31, 2020
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%
Municipal Bond Rate as of August 2020	2.33%
Inflation	2.11%
Salary Increases including inflation	2.30%
Benefit changes during the year	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

**MERIDIAN WORLD SCHOOL, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2021**

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions please see the TRS actuarial valuation report dated November 14, 2019.

**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 pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the statutorily required rates set by the Legislature during the 2019 legislative session. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payment of current plan members.

Asset Class	Target Allocation*	New Target Allocation**	Long-Term Expected Portfolio Real Rate of Return***
<b>Global Equity</b>			
U.S.	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
<b>Stable Value</b>			
Government Bonds	16.00%	-0.70%	-0.05%
Stable Value Hedge	5.00%	1.90%	0.11%
<b>Real Return</b>			
Real Estate	15.00%	4.60%	1.01%
Energy, Natural Resources	6.00%	6.00%	0.42%
<b>Risk Parity</b>			
Risk Parity	8.00%	3.00%	0.30%
<b>Leverage</b>			
Cash	2.00%	-1.50%	-0.03%
Asset Allocation Leverage	-6.00%	-1.30%	0.08%
Inflation Expectation	-	-	2.00%
Volatility Drag	-	-	-0.67%
<b>Total</b>	<b>100.00%</b>		<b>7.33%</b>

**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. The discount rate can be found in the 2020 TRS CAFR, Note 11, page 84.

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
School's proportionate share of the net pension liability	\$ 6,144,366	\$ 3,984,720	\$ 2,230,054

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2021, Meridian World School, LLC reported a liability of \$8,549,499 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Meridian World School LLC. The amount recognized by Meridian World School, LLC 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 Meridian World School, LLC were as follows:

School's proportionate share of the collective net pension liability	\$ 3,984,720
State's proportionate share that is associated with the District	7,927,830
<b>Total</b>	<b>\$ 11,912,550</b>



**MERIDIAN WORLD SCHOOL, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2021**

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

At August 31, 2020, the employer's proportion of the collective net pension liability was 0.007440014% which was an increase of 0.002642293% from its proportion measured as of August 31, 2019.

**Changes Since the Prior Actuarial Valuation –**

There were no changes in assumptions since the prior measurement date.

**NOTE 7 – DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

**Plan Description.** The Meridian World School, LLC 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 TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

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

Components of the Net OPEB liability of the TRS-Cares plan as of August 31, 2020 are as follows:

<u>Net OPEB Liability</u>	<u>Amount</u>
Total OPEB Liability	\$40,010,833,815
Less: Plan Fiduciary Net Position	<u>(1,996,317,932)</u>
Net OPEB Liability	<u>\$38,014,515,883</u>
Net Position as Percentage of Total OPEB Liability	4.99%

**Benefits Provided.** TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension system. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may pay enroll in TRS-Care Standard, a high deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

**MERIDIAN WORLD SCHOOL, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2021**

The premium rates for retirees are presented in the following table:

TRS-Care Monthly Premium rates

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

**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 participating employers based on active employee compensation. 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% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of salary. Section 1575.204 establishes a public-school 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 employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee's pay for fiscal year 2019. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Active Employee	0.65%	0.65%
State	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding	1.25%	1.25%

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

**Actuarial Assumptions.** The total OPEB liability in the August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions: (Actuarial assumptions can be found in the 2020 TRS CAFR, Note 9, page 75).

MERIDIAN WORLD SCHOOL, LLC

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2021

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2019, TRS pension actuarial valuation that was rolled forward to August 31, 2020:

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

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

**MERIDIAN WORLD SCHOOL, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2021**

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	0.023
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65, 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost
Salary increases	3.05% to 9.05% including inflation
Ad Hoc Post-Employment Benefit Changes	None.

**Discount Rate.** A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of 0.30 percent in the discount rate since the previous year. The Discount Rate can be found in the 2020 TRS CAFR on page 76. 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.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2020, using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

**Sensitivity of the Net OPEB Liability:**

**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 (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate 1.33%	Discount Rate 2.33%	1% Increase in Discount Rate 3.33%
School's proportionate share of the net OPEB liability	\$ 4,583,220	\$ 3,819,357	\$ 3,216,015

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At August 1, 2020, Meridian World School, LLC reported a liability of \$9,175,010 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 Meridian World School, LLC were as follows:

School's proportionate share of the collective net OPEB liability	\$ 3,819,357
State's proportionate share that is associated with the School	5,132,301
Total	<u>\$ 8,951,658</u>

**MERIDIAN WORLD SCHOOL, LLC**

**NOTES TO THE FINANCIAL STATEMENTS**

**AUGUST 31, 2021**

The Net OPEB Liability was measured as of August 31, 2019, and rolled forward to August 31, 2020 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2019, thru August 31, 2020.

At June 30, 2021, the employer's proportion of the collective Net OPEB Liability was 0.010047103% which is a decrease from 0.001164311% as of August 31, 2020.

The following presents the net OPEB liability if a healthcare trend rate that is 1% less and 1% greater than the health trend rates assumed.

	1% Decrease in Healthcare Trend	Current Single Healthcare Trend	1% Increase in Healthcare Trend
School's proportionate share of the net OPEB liability	\$ 3,421,339	\$ 3,819,357	\$ 4,750,902

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

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

**NOTE 8 – CAPITAL LEASES**

The School leases equipment under noncancelable operating leases. Minimum future lease payments are as follows:

2022	\$	29,661
2023		19,878
2024		8,378
2025		-
	\$	<u>57,917</u>

The total expense recognized for the year ending August 31, 2021 was \$57,917.

**MERIDIAN WORLD SCHOOL, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2021**

**NOTE 9 – LONG-TERM DEBT**

Long-term debt at August 31, 2021 consists of the following:

	<u>2021</u>
Bonds Series 2015A, principal amount of 29,640,000, coupon rate 4.350%, maturing 8/31/2045, interest payments are due biannually on 2/15 and 8/15, principal payments due annually in varying amounts	27,175,000
Unamortized bond issuance cost	(709,242)
Net long-term debt	<u>\$ 26,465,758</u>
Less current portion of long-term debt	(600,000)
	<u>\$ 25,865,758</u>

Future maturities of long-term debt at August 31, 2020 are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>
2022	600,000	1,449,668
2023	625,000	1,424,145
2024	655,000	1,397,573
2025	685,000	1,369,733
2026 and thereafter	<u>24,610,000</u>	<u>16,486,045</u>
	<u>\$ 27,175,000</u>	<u>\$ 22,127,164</u>

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

The School receives funds through State and Federal programs which are governed by various rules and regulations of the grantor agency. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies and the TEA. Any disallowed claims resulting from such audits could become a liability of the General Fund.

As of August 31, 2021, there was no pending litigation against the School.

**NOTE 11 – SUBSEQUENT EVENTS**

In November 2021, the School refunded the Bond Series 2015A.

**SUPPLEMENTARY INFORMATION**

**MERIDIAN WORLD SCHOOL, LLC**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED**  
**AUGUST 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Totals
<b>REVENUES</b>			
Local Support:			
5742 Bank Interest	\$ 41,303	\$ -	\$ 41,303
5744 Gifts & Bequests	359,058	-	359,058
5748 Triple A Program Revenue	243,162	-	243,162
5749 Local Sources Revenue	78,852	-	78,852
5751 Food Service Activity	60,342	-	60,342
5752 Athletic Activities	59,243	-	59,243
5755 Enterprising Service Revenue	1,289	-	1,289
5756 Café Non-Program Food Revenue	4,380	-	4,380
5759 Cocurricular Enterprising Services	1,001	-	1,001
Total revenues from local sources	848,630	-	848,630
State Program Revenues:			
5811 Per Capital	-	711,425	711,425
5812 Foundation School Program	-	14,545,445	14,545,445
5819 Other Foundation School Program Act Rev	-	13,666	13,666
5829 State Program Rev Distributed by TEA	-	128,678	128,678
Total state program revenues	-	15,399,214	15,399,214
Federal Program Revenues:			
5919 CARES Act	-	168,900	168,900
5921 School Breakfast Program	-	48,004	48,004
5922 National School Lunch Program	-	248,830	248,830
5929 Federal Rev Distributed by TEA	-	590,973	590,973
5949 Federal Rev Distributed Directly from the Federal Gov	-	9,189	9,189
Total federal program revenues	-	1,065,896	1,065,896
Net assets released from restrictions:			
Restrictions satisfied by payments	16,859,120	(16,859,120)	-
Total revenues	\$ 17,707,750	\$ (394,010)	\$ 17,313,740
<b>EXPENSES</b>			
11 Instruction	\$ 9,766,838	\$ -	\$ 9,766,838
12 Instructional Resources and Media Service	140,726	-	140,726
13 Curriculum and Staff Development	212,439	-	212,439
21 Instructional Leadership	85,958	-	85,958
23 School Leadership	1,279,463	-	1,279,463
31 Guidance, Counseling and Evaluation Services	413,463	-	413,463
33 Health Services	137,517	-	137,517
35 Food Services	420,138	-	420,138
36 Extra Curricular/Cocurricular	152,461	-	152,461
41 General Administration	822,758	-	822,758
51 Facilities Maintenance and Operations	1,588,650	-	1,588,650
52 Security and Monitoring Services	5,083	-	5,083
53 Data Processing	46,963	-	46,963
61 Community Services	309,384	-	309,384
71 Debt Service	1,474,140	-	1,474,140
81 Fundraising	3,139	-	3,139
Total expenses	16,859,120	-	16,859,120
Change in net assets	848,630	(394,010)	454,620
Net assets (deficiency) beginning of year	3,655,875	1,788,900	5,444,775
Net assets (deficiency) end of year	\$ 4,504,505	\$ 1,394,890	\$ 5,899,395



MERIDIAN WORLD SCHOOL, LLC

---

SCHEDULE OF EXPENSES  
FOR THE YEAR ENDED  
AUGUST 31, 2021

EXPENSES	
6100 Payroll	\$ 12,501,691
6200 Professional and Contracted Services	1,082,933
6300 Supplies and Materials	756,192
6400 Other Operating Costs	1,044,164
6500 Debt	<u>1,474,140</u>
Total expenses	<u>\$ 16,859,120</u>

MERIDIAN WORLD SCHOOL, LLC  
 SCHEDULE OF CAPITAL ASSETS  
 FOR THE YEAR ENDED  
 AUGUST 31, 2021

---

	Ownership Interest			Total
	Local	State	Federal	
1110 Cash	\$ 2,609,019	\$ 1,810,258	\$ (214,445)	\$ 4,204,828
1510 Land and Improvements	6,793,921	401,606	-	7,195,527
1520 Building Improvements	19,182,563	1,767,950	-	20,950,513
1539 Furniture and Equipment	509,505	1,062,619	60,939	1,633,063
1569 Library Books and Media	80,560	40,004	9,480	130,044
1570 Accumulated Depreciation	(3,390,932)	(1,176,134)	(51,303)	(4,618,369)
Total Property and Equipment	\$ 25,784,636	\$ 3,906,303	\$ (195,329)	\$ 29,495,606

**MERIDIAN WORLD SCHOOL, LLC**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED**  
**AUGUST 31, 2021**

	Original	Final	Actual Amounts	Variance From Final Budget
<b>REVENUES</b>				
Local Support:				
5742 Bank Interest	\$ 50,000	\$ 41,000	\$ 41,303	\$ 303
5744 Gifts & Bequests	250,000	347,200	359,058	11,858
5748 Triple A Program Revenue	236,832	236,832	243,162	6,330
5749 Local Sources Revenue	88,000	73,500	78,852	5,352
5751 Food Service Activity	135,011	55,011	60,342	5,331
5752 Athletic Activities	82,577	57,577	59,243	1,666
5755 Enterprising Service Revenue	-	1,250	1,289	39
5756 Café Non-Program Food Revenue	-	4,000	4,380	380
5759 Cocurricular Enterprising Services	-	1,000	1,001	1
Total local support	<u>\$ 842,420</u>	<u>\$ 817,370</u>	<u>\$ 848,630</u>	<u>\$ 31,260</u>
State Program Revenues:				
5811 Per Capital	\$ 662,057	\$ 711,425	\$ 711,425	\$ -
5812 Foundation School Program	14,823,441	14,541,073	14,545,445	4,372
5819 Other Foundation School Program Act Rev	10,000	13,000	13,666	666
5829 State Program Rev Distributed by TEA	151,000	119,000	128,678	9,678
Total state program revenues	<u>\$ 15,646,498</u>	<u>\$ 15,384,498</u>	<u>\$ 15,399,214</u>	<u>\$ 14,716</u>
Federal Program Revenues:				
5919 CARES Act	\$ -	\$ 303,900	\$ 168,900	\$ (135,000)
5921 School Breakfast Program	4,000	45,000	48,004	3,004
5922 National School Lunch Program	35,000	227,000	248,830	21,830
5929 Federal Rev Distributed by TEA	248,332	462,242	590,973	128,731
5949 Federal Rev Distributed Directly from the Federal Gov	-	9,000	9,189	189
Total federal program revenues	<u>\$ 287,332</u>	<u>\$ 1,047,142</u>	<u>\$ 1,065,896</u>	<u>\$ 18,754</u>
Total revenue and other support	<u>\$ 16,776,250</u>	<u>\$ 17,249,010</u>	<u>\$ 17,313,740</u>	<u>\$ 64,730</u>
<b>EXPENSES AND OTHER LOSSES</b>				
11 Instruction	\$ 9,610,898	\$ 9,741,352	\$ 9,766,838	\$ (25,486)
12 Instructional Resources and Media Service	201,615	136,817	140,726	(3,909)
13 Curriculum and Staff Development	235,869	231,623	212,439	19,184
21 Instructional Leadership	95,272	90,872	85,958	4,914
23 School Leadership	1,273,803	1,278,203	1,279,463	(1,260)
31 Guidance, Counseling and Evaluation Services	434,625	404,625	413,463	(8,838)
33 Health Services	184,350	139,350	137,517	1,833
35 Food Services	173,261	399,512	420,138	(20,626)
36 Extra Curricular/Cocurricular	138,400	160,400	152,461	7,939
41 General Administration	912,252	892,252	822,758	69,494
51 Facilities Maintenance and Operations	1,454,501	1,494,501	1,588,650	(94,149)
52 Security and Monitoring Services	15,345	5,000	5,083	(83)
53 Data Processing	40,111	48,111	46,963	1,148
61 Community Services	303,054	318,054	309,384	8,670
71 Debt Service	1,503,795	1,474,140	1,474,140	-
81 Fundraising	6,000	3,000	3,139	(139)
Total expenses	<u>16,583,151</u>	<u>16,817,812</u>	<u>16,859,120</u>	<u>(41,308)</u>
Change in net assets	193,099	431,198	454,620	23,422
Net assets (deficiency) beginning of year	5,444,775	5,444,775	5,444,775	-
Net assets (deficiency) end of year	<u>\$ 5,637,874</u>	<u>\$ 5,875,973</u>	<u>\$ 5,899,395</u>	<u>\$ 23,422</u>

**OVERALL COMPLIANCE AND INTERNAL CONTROLS**

# MITCHELL T. FONTENOTE

## CERTIFIED PUBLIC ACCOUNTANT

### 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 Directors  
Meridian World School, LLC  
Round Rock, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Meridian World School, LLC (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 20, 2022.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Meridian World School, LLC's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Meridian World School, LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of Meridian World School, LLC'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 Meridian World School, LLC'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 financial statements. 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*.

2428 NALL STREET • PORT NECHES, TEXAS 77651  
PHONE (409) 722-6300 • FAX (409) 722-6301  
MITCHELL@MTFCPAS.COM

Board of Directors  
MERIDIAN WORLD SCHOOL, LLC.  
Round Rock, Texas  
January 20, 2022

**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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mitchell T. Fontenote CPA, Inc.*

Port Neches, Texas  
January 20, 2022

# MITCHELL T. FONTENOTE

## CERTIFIED PUBLIC ACCOUNTANT

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Meridian World School, LLC  
Round Rock, Texas

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

We have audited Meridian World School, LLC's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Meridian World School, LLC's major federal programs for the year ended August 31, 2021. Meridian World School, LLC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

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

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

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

In our opinion, Meridian World School, LLC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

#### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items. Our opinion on each major federal program is not modified with respect to these matters.

Meridian World School, LLC's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Meridian World School, LLC's response was not

2428 NALL STREET • PORT NECHES, TEXAS 77651  
PHONE (409) 722-6300 • FAX (409) 722-6301  
MITCHELL@MTFCPAS.COM

Board of Directors  
MERIDIAN WORLD SCHOOL, LLC.  
Round Rock, Texas  
January 20, 2022

subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### **Report on Internal Control Over Compliance**

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

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

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

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

*Mitchell T. Fontenote CPA, Inc.*

Port Neches, Texas  
January 20, 2022



**MERIDIAN WORLD SCHOOL, LLC**  
**FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

---

**Summary of Auditor's Results**

Type of Report of Financial Statements	Unmodified
Internal Control over Financial Reporting: Material weakness(es) identified?	No
Significant deficiencies identified that are not consider to be material weaknesses?	None reported
Noncompliance which is material to the basic financial statements:	No
Internal Control over Major Programs: Material weakness(es) identified?	No
Significant deficiencies identified that are not consider to be material weaknesses?	None reported
Type of report on compliance with major programs:	Unmodified
Findings and Questioned costs for federal awards as defined in Uniform Guidance	None reported
Dollar threshold considered between Type A and Type B Federal Programs	\$750,000
Was the entity classified as a low-risk auditee in the context of Uniform Guidance?	No
Major Federal Programs	Child Nutrition Cluster
<b><u>Findings relating to the financial statements which are required to be reported in accordance with Generally Accepted Accounting Principles (GAAP)</u></b>	None
<b><u>Findings and Questioned Costs for federal and state awards</u></b>	None

**MERIDIAN WORLD SCHOOL, LLC**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2021**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Pass Through Texas Education Agency:</b>			
Title I, Part A - Improving Basic Programs	84.010A	20610101246801	7,711
Title I, Part A - Improving Basic Programs	84.010A	21610101246801	12,622
<i>Total CFDA 84.010A</i>			\$ 20,333
IDEA B Formula	84.027A	216600012468016000	207,963
Title II, Part A - Supporting Effective Instruction	84.367A	21694501057834	14,915
Title IV, Part A, Subpart I	84.424A	21680101057834	20,000
Elem & Secondary School Emergency Relief Fd COVID-19	84.425D	20521001057834	137,450
Prior Purchase Reimbursement Program COVID-19	84.425D	52102135	51,235
Elem & Secondary School Emergency Relief Fd COVID-19	84.425U	21528001246801	101,352
<i>Total CFDA 84.425D</i>			\$ 290,037
<b>Total U.S. Department of Education</b>			<b>\$ 553,248</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Pass Through Texas Education Agency:</b>			
School Breakfast Program*	10.553	71401201	48,004
National School Lunch Program*	10.555	71301101	248,830
<b>Total U.S. Department of Agriculture</b>			<b>\$ 296,834</b>
<b>TOTAL EXPENDITURES OF FEDERAL EXPENDITURES</b>			<b>\$ 850,082</b>

**MERIDIAN WORLD SCHOOL, LLC**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2021**

---

Basis of Presentation

Summary of Significant Accounting Policies

For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*.

- **General Fund** - is used to account for, among other things, resources related to the United States Department of Defense ROTC program and the United States Department of Education's Impact Aid.
- **Special Revenue Funds** - are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, 3 CFR Section 200.343(b).

Assistance Listing numbers for commodity assistance are the Assistance Listing numbers of the programs under which USDA donated the commodities.

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

