



Waco Independent School District

Annual Financial Report

For the Fiscal Year Ended August 31, 2020

**Report Issued by the
Business and Financial Services Department**

(This page intentionally left blank)

Waco Independent School District
Table of Contents

	<u>Page</u>	<u>Exhibit/Table</u>
Certificate of Board	3	
Independent Auditor’s Report	7	
Management’s Discussion and Analysis (Required Supplementary Information)	13	
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	31	A-1
Statement of Activities	32	B-1
Fund Financial Statements:		
Balance Sheet – Governmental Funds	33	C-1
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	34	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	35	C-2
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities	36	C-2R
Statement of Net Position – Proprietary Fund	37	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	38	D-2
Statement of Cash Flows – Proprietary Fund	39	D-3
Statement of Net Position – Fiduciary Funds	40	E-1
Statement of Changes in Net Position – Fiduciary Funds	41	E-2
Notes to the Financial Statements	42	
Required Supplementary Information:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	83	G-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – National School Breakfast and Lunch Fund	84	G-2
Notes to the Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual – General Fund and National School Breakfast and Lunch Fund	85	
Schedule of the District’s Proportionate Share of the Net Pension Liability	86	G-3
Schedule of the District Contributions – Teacher Retirement System	87	G-4
Schedule of the District’s Proportionate Share of the Net Other Post-employment Benefits (OPEB) Liability of a Cost-Sharing Multiple-Employer OPEB Plan	88	G-5
Schedule of the District’s Contributions to the Teacher Retirement System of Texas OPEB Plan	89	G-6
Notes to the Schedules of District’s Proportionate Share of the Net Pension Liability and the Schedule of the District’s Contributions	90	
Supplementary Information:		
Combining and Other Statements:		
Non-major Governmental Funds:		
Combining Balance Sheet – Non-major Governmental Funds	96	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non- major Governmental Funds	102	H-2
Texas Education Agency Required Schedules:		
Schedule of Delinquent Taxes Receivable	110	J-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	112	J-2

Waco Independent School District
Table of Contents

	<u>Page</u>	<u>Exhibit/Table</u>
Statistical Section:		
Financial Trends:		
Net Position by Component – Last Ten Fiscal Years	116	1
Changes in Net Position – Last Ten Fiscal Years	118	2
Fund Balances of Governmental Funds – Last Ten Fiscal Years	122	3
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	124	4
Governmental Funds Revenues by Source – Last Ten Fiscal Years	126	5
Revenue Capacity:		
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	128	6
Property Tax Rates – Direct and All Overlapping Governments – Last Ten Fiscal Years	130	7
Principal Property Tax Payers – Current Year and Nine Years Ago	132	8
Property Tax Levies and Collections – Last Ten Fiscal Years	134	9
Debt Capacity:		
Outstanding Debt by Type – Last Ten Fiscal Years	136	10
Ratios of Net General Obligation Bonded Debt Outstanding – Last Ten Fiscal Years	138	11
Direct and Overlapping Governmental Activities Debt	140	12
Demographic and Economic Information:		
Demographic and Economic Statistics – Last Ten Fiscal Years	142	14
Principal Employers – Current Year and Nine Years Ago	144	15
Operating Information:		
Full-time Equivalent District Employees by Position – Last Ten Fiscal Years	146	16
Operating Statistics	148	17
Teacher Base Salaries – Last Ten Fiscal Years	150	18
School Building Information – Last Ten Fiscal Years	152	19
Compliance, Internal Control and Federal Awards:		
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	161	
Independent Auditor’s Report on Compliance for each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	163	
Schedule of Findings and Questioned Costs	165	
Summary Schedule of Prior Audit Findings	166	
Schedule of Expenditures of Federal Awards	167	K-1
Notes to the Schedule of Expenditures of Federal Awards	169	
Other Information:		
Schools FIRST Questionnaire (Unaudited)	170	L-1

Introductory Section

(This page intentionally left blank)

Certificate of Board

Waco Independent School District

McLennan County

161-914

We, the undersigned, certify that the attached annual financial and compliance reports of the above named independent school district were reviewed and approved for the year ended August 31, 2020 at a meeting of the Board of Trustees of such independent school district on the 28th day of January, 2021.

Norman Manning, Board Secretary

Angela Tekell, Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):

(This page intentionally left blank)

Financial Statements

(This page intentionally left blank)

Independent Auditor's Report

The Board of Trustees of
Waco Independent School District
Waco, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waco 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P.
1406 Wilson Road, Suite 100 | Conroe, Texas 77304
Main: 936.756.8127

CPAs AND ADVISORS | WEAVER.COM

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended August 31, 2020, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Beginning net position in the custodial fiduciary fund has been restated as a result of the implementation of this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, Statistical Section, and Schools FIRST Questionnaire, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by 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)*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Statistical Section and the Schedule of Required Responses to Selected School FIRST Indicators (Other Information) 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 them.

The Board of Trustees of
Waco Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
January 19, 2021

(This page intentionally left blank)

Management's Discussion and Analysis

(This page intentionally left blank)

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2020

As management of the Waco Independent School District (the "District"), we offer readers of the financial statements this narrative overview of the financial activities of the District for the fiscal year ended August 31, 2020. This section of the financial report is intended to:

- ◆ Provide a concise overview of the District's financial activity comparing current year to prior year and identifying specific economic factors contributing to changes;
- ◆ Assist users of the financial statements in understanding the relationship of the results reported in the government-wide financial statements related to governmental activities and the results reported in the governmental funds financial statements;
- ◆ Help the reader focus on the District's financial condition as a whole, describing currently known facts, decisions, or conditions expected to impact the District's financial condition and the availability of fund resources for future years; and
- ◆ Identify significant variances between the adopted budget, final budget, and actual expenditures, discussing the impact of these variances on future liquidity.

We encourage readers to consider the information presented in this section in conjunction with the independent auditors' reports and the basic financial statements, including the notes to the financial statements. The information contained in these three sections of the report complement each other.

Financial Highlights

The following highlight changes in the District's financial position at August 31, 2020:

- ◆ On a government-wide basis, the liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$18.1 million. The deficit is due to the implementation of Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions*, and No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* which recognizes the District's proportionate share of pension and post-employment benefit liabilities in the government-wide financial statements. This change does not affect the financial stability of the District nor does it change how the District conducts its financial decision-making. Rather, the District is reflecting its portion of the liability that the State of Texas manages and operates.
- ◆ The District's governmental funds financial statements reported combined ending fund balances of \$60.4 million, an increase of \$2.7 million over the prior year.
- ◆ The District's general fund had an ending fund balance of \$52.7 million, of which \$46.0 million is unassigned and available for the discrete purposes for which these funds are collected. The unassigned amount represents 30.0% of its annual operating expenditures. The total fund balance increased by \$3.4 million from the prior year with the unassigned fund balance increasing by \$1.3 million.
- ◆ The ending fund balance for the National School Breakfast and Lunch Programs was \$3.0 million, a decrease of \$0.7 million from the prior year.
- ◆ Fund balances restricted for debt service decreased by \$66,325 to \$4.0 million.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2020

Overview of the Financial Statements

This discussion and analysis serves as an overview of the financial statements. The basic financial statements consist of three components: the government-wide financial statements, the fund financial statements, and the related notes to the financial statements. The notes to the financial statement explain some of the information included in the statements and provide additional detail. The report also contains supplementary information in addition to the basic financial statements, including schedules required by the District's oversight agency, the Texas Education Agency (TEA). The statistical section of the report provides additional financial and statistical data, including data about financial trends that may better inform the reader about the District's activities. These components are illustrated below.

Annual Financial Report	Management's Discussion and Analysis			
	Government-Wide Financial Statements	Fund Financial Statements		
	Statement of Net Position	Governmental Funds Balance Sheet	Proprietary Funds Statement of Net Position	Fiduciary Funds Statement of Net Position
	Statement of Activities	Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Revenues, Expenses, and Changes in Fund Net Position	Statement of Changes in Net Position
			Statement of Cash Flows	
	Notes to the Financial Statements			
	Required Supplementary Information and Supplemental Schedules Required by the TEA			
	Statistical Section			

The basic financial statements include both government-wide and fund financial statements. These statements differ in scope, measurement focus, and basis of accounting, as well as in the information provided.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's financial position, in a manner similar to that of the private-sector. The focus of the statements is on the activities of the District as a whole. These statements present a longer-term view of the District's property, debt obligations, and other financial matters.

The *Statement of Net Position* includes all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources at year end, with the difference reported as *net position*. This statement consolidates current financial resources with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To fully assess the overall health of the District, non-financial factors need to be considered as well, such as changes in the District's average daily attendance, property tax base, and the condition of school buildings and other facilities.

The *Statement of Activities* details how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, current year revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2020

Revenues in the statement of activities are presented in three categories. The first two categories, those provided through user charges and those contributed by outside agencies through grants and contributions, indicate a cost-sharing of specific functional expenditures. The third category includes general revenues such as those provided through property taxes or state formula grants. These revenues fund the general operations of the District.

Internal services are accounted for in a proprietary fund and are consolidated with governmental funds in the government-wide statements. The District utilizes an internal services fund to equitably allocate benefit costs to all governmental funds and functional cost centers. Governmental activities also include a blended component unit within the reporting entity. Fiduciary funds are not included in the government-wide statements.

Fund Financial Statements

The fund financial statements report operations in more detail than the government-wide statements by providing information about the District's most significant funds. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District utilizes fund accounting to ensure and demonstrate compliance with the finance-related legal requirements underlying each fund. Funds enable the District to keep track of specific sources of funding and related expenditures. Some funds are required by state law and/or other restrictions such as bond covenants. Others, management establishes to control and manage resources for particular purposes.

The focus of the governmental fund financial statements is on major funds, rather than fund types. Fund types can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- ♦ **Governmental funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how cash and other financial assets can readily be converted as available resources, as well as on the balances at the end of the fiscal year that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the District's operations, supplying the basis for tax levies and the appropriations budget.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements to better understand the long-term impact of near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The District maintains numerous governmental funds, as needed, to ensure proper accountability. Information is presented separately in these governmental funds financial statements for the general fund, the National School Breakfast and Lunch Program fund, and the debt service fund. Additionally, for the fiscal year ended August 31, 2020, the District received federal stimulus funding under the Elementary and Secondary School Emergency Relief Fund. This was required to be reported as a major fund. The general fund, by definition, is always considered a major fund. The National School Breakfast and Lunch fund and the debt service fund are presented as major funds because management has judged these funds to be of particular interest to financial statement users. Data from the remaining governmental funds are combined into a single column, entitled "Non-major Governmental Funds".

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2020

- ◆ **Proprietary funds** - Proprietary funds are used to account for operations that are financed similar to those found in the private-sector. These funds provide both long and short-term financial information. There are two types of proprietary funds:
 - *Enterprise funds* are used to account for business-type activities. The District does not utilize enterprise funds.
 - *Internal services funds* are used to accumulate and allocate costs internally among various funds and functions. The District uses an internal service fund to report activities for its health insurance, workers' compensation, and unemployment programs. As internal service funds predominantly benefit governmental functions, they have been consolidated with governmental activities in the government-wide financial statements.
- ◆ **Fiduciary funds** - Fiduciary funds are used to account for resources held by the District in a fiduciary capacity or as an agent for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support operations. As fiduciary of these funds, the District is responsible for ensuring that the assets, reported in these funds, are used for their intended purposes. All fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The fiduciary funds include scholarship funds and activities of student groups.

The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes immediately follow the fund financial statements and are included for some supplementary schedules.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The Required Supplementary Information relates to general fund budgetary comparison information and required pension system and OPEB information.

The Other Supplementary Information section contains information for the purpose of additional analysis and is not a required part of the basic financial statements. This information includes combining and individual fund statements for non-major governmental funds and budget comparisons for funds required to be reported, which does not meet the criteria for Required Supplementary Information. This section also includes certain compliance schedules required by the Texas Education Agency.

Government-wide Financial Analysis

Presented in the following schedules are the summarized Statement of Net Position and Statement of changes in Net Position for both current and prior year data. The analysis focuses on the current year in comparison to prior year amounts on the net position and changes in net position of the District's governmental activities.

Net position

With the implementation of GASB Statements No. 68 and No. 75, the District's net position may not serve as the most accurate indicator of the District's financial position. A better picture of the District's financial position may be gained from the Governmental Funds Balance Sheet. For the fiscal year ended August 31, 2020, the District's total liabilities and deferred inflows of resources exceeded its total assets and deferred outflows of resources by \$18.1 million, a decrease of \$0.6 million from August 31, 2019.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2020

The following summarizes changes in the statement of net position in comparison to last year:

	Governmental Activities		
	2020	2019	% Change
Current and other assets	\$ 81,369,133	\$ 74,165,927	9.7%
Capital assets, net of accumulated depreciation	178,157,800	184,345,713	-3.4%
Total assets	<u>259,526,933</u>	<u>258,511,640</u>	0.4%
Deferred outflows of resources	43,607,753	46,381,662	-6.0%
Current liabilities	15,969,182	12,445,237	28.3%
Long-term liabilities	265,335,726	280,397,071	-5.4%
Total liabilities	<u>281,304,908</u>	<u>292,842,308</u>	-3.9%
Deferred inflows of resources	39,950,402	29,574,783	35.1%
Net position (deficit):			
Net investment in capital assets	32,029,477	29,669,042	8.0%
Restricted	6,867,516	7,859,566	-12.6%
Unrestricted (deficit)	<u>(57,017,617)</u>	<u>(55,052,397)</u>	3.6%
Total net position (deficit)	<u>\$ (18,120,624)</u>	<u>\$ (17,523,789)</u>	3.4%

A significant portion of the District's net position is reflected in its investment in capital assets, e.g., land, buildings, and equipment, less any outstanding related debt used to acquire the assets. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets cannot be used to liquidate the liabilities. The District's net investment in capital assets increased \$2.4 million over last year.

Additionally, \$6.9 million of the net position represents resources subject to external restrictions on how they are used. \$3.1 million of the funds are restricted for federal programs, specifically the National School Breakfast and Lunch program, with another \$3.8 legally reserved under bond covenants.

The unrestricted net position for governmental activities, the portion of net position that can be used to finance ongoing operations of the District without restrictions established by debt covenants, enabling legislation, or other legal requirements, amounted to a deficit of \$57.0 at August 31, 2020, increasing \$2.0 million over the prior year. Unrestricted net position in the government-wide statements includes amounts shown as nonspendable, committed, or assigned in the fund statements.

Changes in net position

The following table provides a summary comparing the District's operations for the years ended August 31, 2020 and 2019. For the year ended August 31, 2020, governmental activities decreased the District's net position by \$0.6 million.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2020

Changes in Net Position

	Governmental Activities		% Change
	2020	2019	
Revenues:			
Program Revenues:			
Charges for services	\$ 5,251,981	\$ 5,836,415	-10.01%
Operating grants and contributions	45,063,392	43,276,111	4.13%
General Revenues:			
Property taxes	82,756,765	83,722,735	-1.15%
Grants and contributions not restricted	76,390,346	65,405,082	16.80%
Investment earnings	995,027	1,633,709	-39.09%
Miscellaneous	911,362	883,453	3.16%
Total revenues	<u>211,368,873</u>	<u>200,757,505</u>	5.29%
Expenses:			
Instruction	105,111,083	97,204,175	8.13%
Instructional resources and media services	1,230,515	1,145,653	7.41%
Curriculum and instructional staff development	10,385,500	8,191,863	26.78%
Instructional leadership	5,641,079	5,279,944	6.84%
School leadership	11,178,027	10,762,453	3.86%
Guidance, counseling, and evaluation services	6,903,962	5,935,365	16.32%
Social work services	1,183,436	1,176,663	0.58%
Health services	1,532,816	1,289,858	18.84%
Student transportation services	3,155,808	3,164,818	-0.28%
Food services	11,404,285	11,095,518	2.78%
Extracurricular activities	6,059,245	5,693,948	6.42%
General administration	5,671,606	4,935,156	14.92%
Plant maintenance and operations	17,657,184	15,921,753	10.90%
Security and monitoring services	2,316,628	2,550,677	-9.18%
Data processing services	4,561,909	4,025,862	13.32%
Community services	1,669,506	1,883,438	-11.36%
Debt service - Interest on long-term debt	6,297,691	6,525,159	-3.49%
Debt service - Issuance costs and fees	15,812	5,650	179.86%
Facilities acquisition, improvements, and maintenance	-	116,177	
Payments to fiscal agents/member districts of shared services arrangements	423,945	749,055	-43.40%
Payments related to Juvenile Justice Alternative Education program	646,950	514,035	25.86%
Payments to tax increment reinvestment zones	8,000,245	7,850,239	1.91%
Other intergovernmental charges	755,302	839,620	-10.04%
Total expenses	<u>211,802,534</u>	<u>196,857,079</u>	7.59%
Increase in net position before transfers, and special items	(433,661)	3,900,426	-111.12%
Gain (loss) on sale of capital assets	(163,174)	13,516	-1307.27%
Change in net position	(596,835)	3,913,942	-115.25%
Net position (deficit), September 1	<u>(17,523,789)</u>	<u>(21,437,731)</u>	-18.26%
Net position (deficit), August 31	<u>\$ (18,120,624)</u>	<u>\$ (17,523,789)</u>	3.41%

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2020

Governmental activities

Total revenues, as reflected in the District's governmental activities, increased \$10.6 million for the fiscal year ended August 31, 2020. Total expenses for the fiscal year increased \$14.9 million.

Program revenues, in the form of charges for services and operating grants and contributions, are inadequate to support the cost of operations. Consequently, after all program-specific revenues are applied, general revenues must cover all remaining costs. Revenues are generated primarily from two sources. Grants and contributions, both program and general revenues totaling \$121.5 million and representing 57.5% of total revenues and property taxes, totaling \$82.8 million or 39.2% of total revenues.

The District's largest single source of revenue comes from local property taxes. Property taxes for general purposes decreased \$1.9 million while taxes levied for debt service increased \$0.9 million. These changes resulted from an increase in property values of 7.7% for the 2019 tax year coupled with a compression of the maintenance and operations tax rate to 93%. At the same time, State formula funding under the Foundation School Program, totaling \$76.4 million, contributed 36.1% of the District's revenues with an increase of \$10.9 million over last year. Program related grants and contributions totaled \$45.1 million. The remaining 3.4% is generated from charges for services, investment earnings, and miscellaneous revenues.

Two major developments impacted the District's financial operations for the 2019-2020 fiscal year. The first was the passage of House Bill 3 (HB 3) by the Texas Legislature. HB 3 was a major overhaul of school district funding, pumping significant dollars into school district budgets to provide continued taxpayer relief, additional funding for at-risk students, as well as a major salary increase for teachers and other school district personnel. For Waco ISD, HB 3 originally generated additional funding of \$15.7 million in grants and contributions, not restricted, offset by a decrease in property tax revenue of \$1.0 million, directly related to the compression of the local maintenance and operations tax rate mandated under HB 3. This additional funding supported compensation and benefit increases of \$7.1 million, additional positions in special education and dyslexia services, as well as \$6.6 million in funding the District's capital improvement and technology plans.

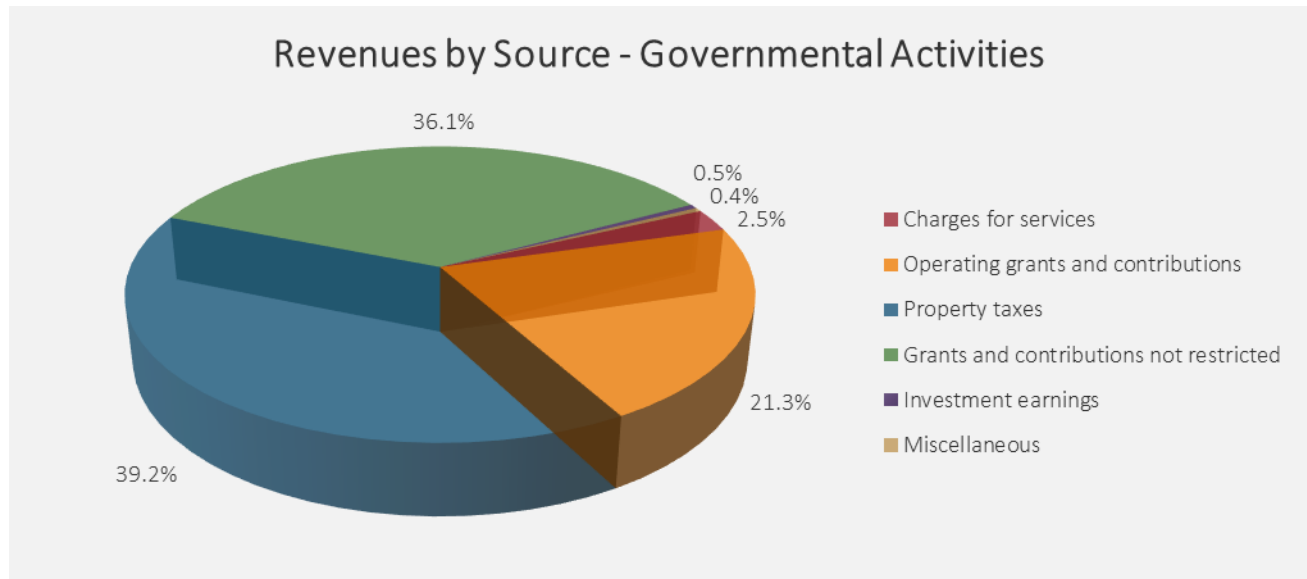
The second development of significant impact was the outbreak of the severe acute respiratory syndrome coronavirus 2 (COVID-19). The first case was identified in Wuhan, China, in December 2019 and has since spread worldwide, leading to an ongoing pandemic. School closures and restrictions on activities, beginning in March 2020, decreased participation in extracurricular activities, child nutrition programs, shared services arrangements, and facilities rentals. As a result, charges for services decreased \$0.6 million.

Revenue from operating grants and contributions increased \$1.8 million from fiscal year 2019. This increase was chiefly due to the receipt of federal emergency relief funding offset by decreases in reimbursements for child nutrition programs. The federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided funding through a number of programs. The Elementary and Secondary Schools Emergency Relief (ESSER) Fund helped TEA hold local education agencies harmless for attendance declines from closures starting in March 2020 and, although \$5.0 million was allocated to the District, 95% of those funds or \$4.7 million was used to offset a reduction in the Foundation School Program funding, generated through HB 3, that the District was originally slated to receive. As of August 31, 2020, the District had expended \$2.7 million of the ESSER funds, excluding indirect costs, primarily for technology to facilitate remote instruction. The District will receive additional funding under the Coronavirus Relief Fund through Operation Connectivity's Bulk Purchase and Prior Purchase Reimbursement Programs in the 2020-2021 fiscal year.

Waco Independent School District
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2020

With the closure of schools, funding for child nutrition programs moved from the National School Lunch and Breakfast programs to Summer Feeding. The decrease in participation reduced reimbursements by \$1.5 million.

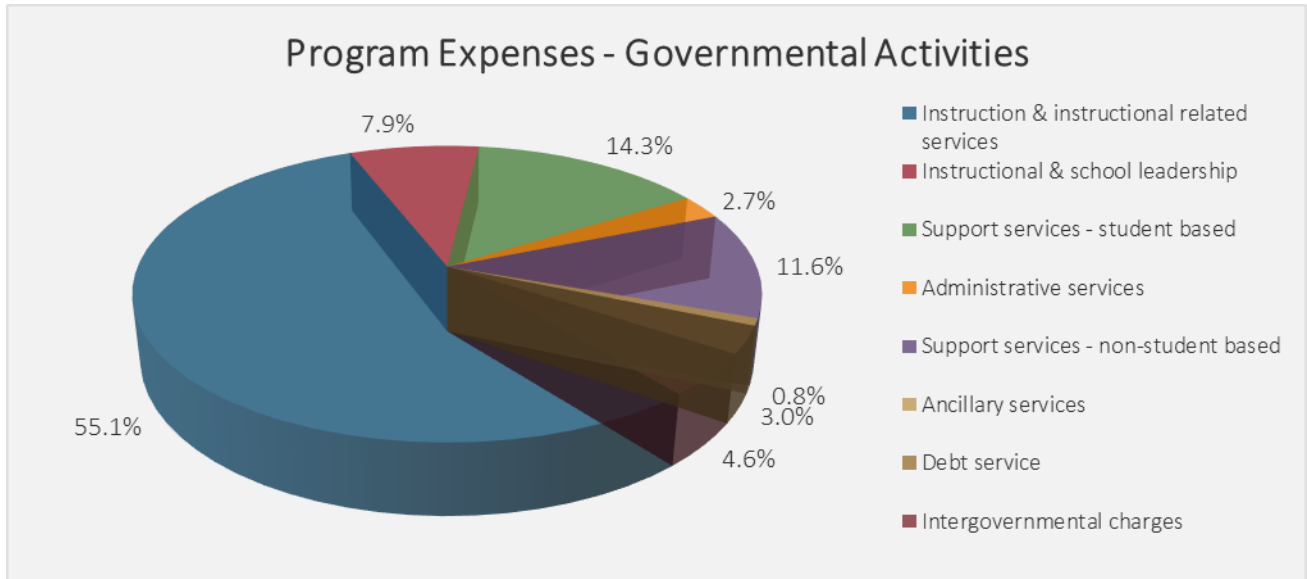
With one-year treasury yield curve rates falling from 1.72 on September 1, 2019, to 0.12 on August 31, 2020, the District’s investment earnings decreased \$0.6 million or 39.1% from the prior year.



The cost of all governmental activities totaled \$211.8 million increasing \$14.9 million from the prior year. The increase in functional expenses is primarily due to the salary and benefits increases, mandated under HB 3 and other legislation, additional positions, and planned expenditures for capital improvements and technology mentioned above. Increased expenses for technology, personal protective equipment and supplies for remote instruction were largely offset by a delayed start of instruction for the 2020-2021 school year and the related reduction of instructional work days during the 2019-2020 fiscal year. These reduced days resulted in an estimated savings of \$3.3 million.

The District’s expenses by major functional category are shown on the following chart. \$116.7 million or 55.1% of the District’s total expenses was spent on instruction and instructional related services with another \$30.2 million, 14.3%, attributable to student based support services and \$16.8 million, 7.9%, to instructional and school leadership. Non-student based support services totaled \$24.5 million. Intergovernmental expenses to support shared service arrangements, the central appraisal district, and the pass-through of tax collections for properties in the Tax Increment Reinvestment Zone, totaled \$9.8 million while expenses related to paying debt service totaled \$6.3 million. The remaining 3.5% was spent for general administrative costs and community services.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2020



Financial Analysis of the District's Funds

As noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and to segregate revenues and expenditures for particular purposes.

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At August 31, 2020, the District's governmental funds, shown on Exhibit C-1, reported a combined ending fund balance of \$60.4 million, an increase of \$2.7 million from the prior year. The unassigned fund balance in the general fund constitutes 76.1% of the combined ending fund balances. The remainder of the fund balance is not available for general operations because it is nonspendable, restricted, or committed as follows:

Nonspendable fund balance:	
Investments in inventory	\$ 587,904
Prepaid items	591,300
Restricted fund balance:	
Federal or state funds grant restriction	3,092,933
Capital acquisition and contractual obligations	1,566
Retirement of long-term debt	3,990,782
Other restricted fund balance	2,123,100
Committed fund balance:	
Construction and other major improvements	1,074,872
Capital expenditures for equipment	1,139,670
Other committed fund balance	1,155,114

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2020

General fund

The *general fund* is the primary operating fund and supports most of the District's educational program support operations. As of August 31, 2020, the fund balance for the general fund totaled \$52.7 million, increasing \$3.4 million from the year ended August 31, 2019. The unassigned portion of the fund balance increased by \$1.3 million to \$46.0 million, while committed funds increased by \$0.4 million. The increase in committed funds is attributable to projects and purchases committed at August 31, re-appropriated and completed or received in the subsequent fiscal year.

As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to the total fund expenditures. Unassigned fund balance represents 30.0% of total fund expenditures, while the total fund balance is 34.3%.

National School Breakfast and Lunch Program

Expenditures for the National School Breakfast and Lunch Program exceeded revenues by \$0.7 million. The General Fund recognized \$0.4 in indirect cost recoveries from the program to cover administrative costs as well as plant maintenance (including the program's share of utilities costs), security, and technology infrastructure. The fund balance at year end totaled \$3.1 million.

As mentioned previously, forced school closures related to COVID-19, significantly impacted child nutrition programs. Once the decision was made to close schools, the District immediately implemented a curb-side feeding program. This program is not eligible for funding under the National School Lunch and Breakfast Programs so feeding, during the last 53 days of instruction, was funded under the Summer Feeding Program. Deferred revenue under the Summer Feeding Program increased \$0.3 million. The District has received permission from the Texas Department of Agriculture to utilize these funds to cover costs in the National School Lunch and Breakfast Programs for the 2020-2021 fiscal year.

Debt service

Reserves in the debt service fund decreased by \$66,325. The property value increases resulted in increased tax collections, penalties and related fees of \$0.9 million. Revenue generated through the State's Existing Debt allotment, decreased by \$62,700. Approximately \$1.2 million of the tax collections is passed through to the Tax Increment Fund, an increase of \$29,974 over last year. With property values increasing 7.7%, the District chose to maintain its interest and sinking tax rate of \$0.23410 per \$100.00 of valuation, enabling the early defeasance of \$650,000 of Series 2016 Refunding Bonds, 2038 maturities. The ending debt service reserve represents 25.6% of the annual debt service.

Other governmental funds

Other governmental funds include special revenue funds used to account for all financial resources restricted to, or designated for specific purposes by a grantor or other authority and remaining amounts in capital projects funds for bonds issued in 2008 and 2009. Typically, the special revenue funds do not carry a fund balance. The fund balance shown of \$0.7 million, for the other governmental funds primarily represents committed fund balances in campus activity funds of \$672,580 and restricted fund balances of the capital projects funds of \$1,566.

Waco Independent School District
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2020

Proprietary Funds

An internal service fund has been utilized to record costs associated with the District’s self-funded health insurance and partially self-funded workers’ compensation and unemployment programs. The fund was established in order to charge the governmental funds for their share of these costs, provide additional detail for expenses, and allow for full accrual of actuarial estimates of future costs of incurred claims.

The District’s self-funded group health plan was implemented on January 1, 2018, so the fiscal year ended August 31, 2020 was the first full-year of transactions. Revenues are generated through assessments to the other funds as well as employee contributions for employee premiums in excess of the District’s contribution and dependent coverage.

Assessments to the other funds totaled \$9.3 million and employee contributions totaled \$3.0 million. Monthly contribution rates for health insurance were not increased for the 2020 plan year. Fees paid to the third party administrators totaled \$1.3 million. Claims expense totaled \$9.6 million and included actuarial determined incurred but not reported claims of \$189,831 for workers’ compensation and medical claims of \$551,336 and prescription drug claims of \$61,753. The ending net position for the fund was \$3.9 million an increase from the prior year of \$1.2 million and represents 32.0% of the fund’s operating expenses for 2019-2020.

General Fund Budgetary Highlights

On August 27, 2019, the Board adopted the District’s official budget which included annual operating budgets for the general, National School Breakfast and Lunch Program, and debt service funds. The Board approved budgets for the following funds that make up the District’s Official Budget. Original appropriations in the official budget are as follows:

General Fund	\$ 164,305,164
National School Breakfast and Lunch Program fund	11,177,650
Debt Service Fund	15,513,069

In addition to the functional appropriations, the District budgeted an operating transfer of \$184,000 in the General Fund to cover the projected funding deficit for the operations of the Advanced Manufacturing Academy. Estimated revenues covered budgeted appropriations in both the General Fund and the National School Breakfast and Lunch Program. In addition, estimated revenues exceeded budgeted appropriations in Debt Service fund by \$70,932.

For the 2020 fiscal year, the General Fund budget was adopted based on a compressed tax rate of \$1.06835 per \$100 of valuation. In proposing the 2019 tax rate, the Board approved a slight increase in the interest and sinking rate of \$0.00002, from \$0.23408 to \$0.23410 per \$100 of valuation to facilitate the early defeasance mentioned previously. While the District has averaged a 10.2% growth in property values over the last three years, values of properties located in tax increment reinvestment zones (TIRZ) increased an average of 10.9%. This differential had the effect of eliminating state assistance for debt service at an accelerated pace but, because so much of the resulting increase in collections were simply “passed through” to the tax increment fund, the losses in state revenue are not offset by increased property tax revenue retained by the District.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2020

The Board's priorities for the new funding were focused on direct classroom instruction and student support:

- Increase salaries, \$5.9 million, and benefits, \$1.2 million, to retain and attract a highly qualified workforce:
 - increase starting teacher pay from \$46,100 to \$49,000 with an average increase of 7.6%,
 - increase shortage area and extra-duty stipends by \$339,000,
 - average general increase of 6.0% for counselors, 4.0% for auxiliary and paraprofessional staff, and 3.0% for administrative and other professional staff,
 - increase in minimum wage rate for auxiliary staff from \$10.03 to \$11.00 per hour, and
 - increase in health insurance contributions, although the contribution rate remained the same, last year's rate increase was effective for only eight months, the additional cost of health benefits for the twelve-month period was \$0.4 million, and
 - increase the employer and state contribution to Teacher Retirement per legislative action, the increase of \$0.7 million was offset by an increase in revenue, i.e., TRS On-behalf payments;
- Contracted transportation was increased \$0.5 million to accommodate cost increases;
- Additional instructional support staff in special education, 13 teachers and 14 aides, 5 dyslexia specialists, 5 counselors, and 4 additional staff in maintenance and technology; and
- \$2.1 million in additional funding for campuses in the Transformation Zone.

In April 2018, the District entered into a performance contract, under the rules adopted by the Commissioner of Education to implement SB 1882, creating a local campus partnership for the management of five of the District's lowest performing campuses. Under the partnership, the District was eligible for an estimated \$2.1 million in additional "Aid to Contract to Operate a District Campus". Funds generated by the five campuses, for the most part, were to be allocated at their discretion. However, many services were still provided by the District, some were optional but others were included in an agreed upon administrative cost. The District acts as fiscal agent for the program. Unexpended revenues generated by the campuses in the Transformation Zone of \$2.1 million are shown as other restricted fund balance on the general fund balance sheet in the governmental fund schedules.

The District utilized much of the additional funding estimated under HB 3 to fund to fund \$6.6 million in capital improvements and technology, including \$2.6 million for maintenance projects, \$2.0 million for technology infrastructure, \$0.8 million for safety and security projects, \$0.8 million for bus and other vehicle replacements and \$0.4 million for the replacement of the baseball field's turf at the Athletic Complex.

Over the course of the year, the administration recommended, and the Board of Trustees approved amendments to budgeted revenue and appropriations. Revisions to the revenue budget are necessary due to changes in estimates for local, state, and federal revenue based on updated information concerning student attendance, tax collections, and other factors. Revisions to appropriations are necessitated by changes in spending needs over the course of the year subsequent to the Board's approval of the original budget. The Board may also fund additional allocations from unassigned fund balance for special projects.

The District's major budget amendments during the year are summarized as follows:

- Revenue estimates were increased/decreased with offsetting expenditure appropriation decreases/increases for the following:
 - \$2.8 million increase in Foundation School Program funding to cover comparability requirements, required expenditures in Career and Technology and Special Education, and State Compensatory education budgets omitted in the original budget;
 - for services for newly identified special education students;

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2020

- \$4.9 million decrease in Foundation School Program revenue partially offset by decreases in expenditures to be charged to federal CARES Act funding;
 - \$1.9 million decrease in local property tax revenue due to lower than expected value adjustments and collections; and
 - \$0.4 million decrease in other local revenues to reflect decreases in user charges and investment earnings.
- Additionally, unassigned fund balance was used to support expenditure appropriations for the following:
 - \$0.6 million for the re-appropriation of budgets for renovations and major repairs projects not completed at August 31, 2019;
 - \$0.7 million for bus purchases;
 - \$0.4 million for purchase orders from fiscal year 2019, honored in 2020;
 - \$0.5 million for the new Superintendent's discretion in addressing campus needs;
 - \$0.3 million for staff development;
 - \$0.8 million for the purchase student and teacher technology devices;
 - \$0.4 million for design fees for the new Paul Tyson Stadium; and
 - \$0.2 million to cover the deficit in the Regional Day School Program for the Deaf.

In the National School Breakfast and Lunch fund, appropriations were increased by \$0.9 million to provide for a new vehicles and kitchen equipment.

In addition, the Board of Trustees adopts budgets for several funds for which the District acts as the fiscal agent. These include the following funds and budgeted appropriations:

• The McLennan County Challenge Academy	\$ 943,105
• The Regional Day School for the Deaf	1,361,209
• The Greater Waco Advanced Academies:	
- Advanced Health Care Academy	1,290,206
- Advanced Manufacturing Academy	1,291,520

Capital Assets

The District's investment in capital assets for its governmental activities as of August 31, 2020, totaled \$178.2 million, net of accumulated depreciation of \$151.7 million. The decrease in capital assets, net of accumulated depreciation, of \$6.2 million from the prior year is due to depreciation expense of \$8.3 million while asset additions totaled \$2.3 million. Additionally, the District had a net loss on asset disposals of \$0.2 million. The investment in capital assets includes facilities, equipment, and vehicles utilized in governmental activities.

The following table shows the changes in capital assets by category of asset.

	Governmental Activities	
	August 31, 2020	August 31, 2019
Land	\$ 9,310,772	\$ 9,310,772
Buildings and improvements	160,486,781	165,660,767
Furniture, equipment, and vehicles	8,360,247	9,374,174
Total capital assets, net of accumulated depreciation	<u>\$ 178,157,800</u>	<u>\$ 184,345,713</u>

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2020

Major capital asset acquisitions for the current fiscal year included:

- Buildings and improvements of \$0.4 million to replace the baseball turf at the Athletic Complex;
- Vehicle purchases totaling \$0.7 million; and
- Equipment purchases of \$1.4 million, including \$561,811 in technology infrastructure equipment, \$347,764 million in kitchen equipment and \$106,073 in new equipment for the Greater Waco Advanced Manufacturing Academy.

These acquisitions were offset by depreciation and the sale of surplus property, including buses, utility vehicles, and other surplus equipment sold at auction. Additional information may be found in Note 8 to the financial statements.

Long-term Liabilities

At August 31, 2020, the District had total long-term liabilities totaling \$265.3 million. Of this amount, \$158.4 million comprises debt backed by the full faith of the State of Texas Permanent School Fund. During the 2019-2020 fiscal year, the District retired \$7.0 million in bonded debt through scheduled debt service payments. Bond payments due within one year total \$7.4 million.

The District's bonds are issued with an "AAA" rating as guaranteed through the Texas Permanent School Fund bond guarantee program. The District's current underlying rating is "AA-" from Standard and Poor's and "Aa2" from Moody's Investors Service.

Long-term obligations for the fiscal year ended August 31, 2019, included lease revenue bonds in the amount of \$0.3 million, issued in 1999 to fund the construction of the Waco ISD Athletic Complex. These bonds were paid off in October, 2019.

Additionally, long-term obligations include \$48.6 million and \$58.3 million, respectively, for the District's proportionate share of the net pension and other post-employment benefits liabilities. The District's proportionate share of the net pension liability decreased \$1.9 million and its proportionate share of the net TRS-Care post-employment benefit liability increased \$3.9 million from the prior year.

The following is a summary of the District's long-term liabilities:

	Governmental Activities	
	August 31, 2020	August 31, 2019
General obligation bonds, par	\$ 141,440,000	\$ 148,430,000
Lease revenue bonds	-	345,000
Premiums	16,818,595	18,075,498
Accumulated accretion	186,783	852,125
Total bonds payable	158,445,378	167,702,623
Net pension liability	48,636,619	50,580,910
Other post-employment benefits liability ¹	58,253,729	62,113,538
Total long-term liabilities	\$ 265,335,726	\$ 280,397,071

Additional information about the District's long-term debt is presented in Notes 1, 9, 10 and 11 to the financial statements.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2020

Economic Factors and Next Year's Budgets and Tax Rates

For the 2021 fiscal year, the Board of Trustees adopted a General Fund budget in which appropriations, of \$165.1 million, exceeded estimated revenues, of \$160.5 million, by \$4.5 million. Additionally, the budget included operating transfers of \$0.7 million to cover projected shortfalls in funding for the Greater Waco Advanced Academies and the Regional Day School Program for the Deaf.

There were a number of issues shaping the 2020-2021 budget. The greatest challenge was developing projections in light of the uncertainties, caused by the coronavirus pandemic, surrounding the magnitude of the economic recession, the erosion of state and local tax revenue, and its inevitable impact on school funding. Of major concern was the disengagement of students from school due to economic, health, or other factors and its impact on student learning and attendance.

On the expenditure side, the delay in the start of the new school year and the resulting change in the school calendar, shifted approximately \$3.7 million in payroll costs from fiscal year 2020 to 2021 and had to be incorporated into the budgets for 2021. This is an extraordinary timing event and is the largest contributing factor, approximately 75%, to the general fund budget shortfall as well as for the National School Breakfast and Lunch program, the Greater Waco Advanced Academies, and the Regional Day School Program for the Deaf. The increase in operating transfers from the general fund to these latter two programs was due, in part, to this calendar change.

In line with funding generated through increased identification of students requiring special education services, the District had begun adding \$1.0 million in new positions during in the 2020 school year. Another \$0.4 million in instructional and administrative support positions had been added throughout that year and all had to be incorporated into the 2021 budget.

Schooling is a human resource-intensive process and requires a sufficient number of high-quality teachers and other school staff. As part of the District's efforts to recruit and retain high-quality staff, the administration contracted staffing and salary studies. As a result of the salary study, the District implemented pay structure adjustments to align with market, gave a 1% general pay increase plus adjustments to address market differences and maintain equity in certain positions, and increased the starting teacher pay from \$49,000 to \$49,100. The District was in compliance with the salary increase requirement of HB 3 for the 2020 fiscal year. The staffing study has provided a blueprint for future staffing decisions and recommended reductions may be made through attrition.

State revenues are primarily driven by student populations in average daily attendance (ADA). Additionally, campus staffing allocations are heavily based on projected student counts. These projections, for the 2020-2021 budget, were completed prior to any realization of the impact or duration of the pandemic.

Original projections indicated an enrollment decline of 99 students, from a fall 2019 count of 14,899 to 14,800, with a resulting ADA of 13,376. As the budget was finalized, staff decided to maintain the enrollment projection but reduce the attendance rate by one percent, resulting in an ADA of 13,242. Since districts were to be held harmless for the first two six weeks and the hold harmless ADA calculated by TEA for the District was 13,538, we were hesitant to take needless action that might have detrimental effects on long-term operations. However, as of the Fall PEIMS submission, enrollment was 14,475, a loss of an additional 325 students from those projections. Complications in recording attendance due to remote learning and periodic school closures have made it difficult to accurately determine ADA. The TEA has extended the hold-harmless period for an additional six weeks but, even then, based on current information, the District would generate approximately \$6.5 million less in Foundation School Program revenues than originally estimated. To counter these losses, the District is continuously reviewing staffing, leaving vacancies unfilled until required.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2020

Continued implementation of HB 3, enacted by the 86th Texas legislature, required further state and local compression of the District's tier one tax rate (the portion of the maintenance and operations tax rate that previously comprised the first \$1.00 in prior law but now based on \$0.93). State compression was set in law at \$0.9164 while local compression used individual district property value growth to determine the maximum compressed rate (MCR). The District's estimated property value growth of 5.74% resulted in a maximum tier one tax rate of \$0.9015, a total maintenance and operations tax rate of \$1.0398, and an estimated reduction in property tax revenue for general operations of \$1.1 million.

At the start of the school year, 52% of the District's students had selected remote learning and only 48% were attending in person. The District had invested almost \$4.7 million in instructional technology including student and teacher devices, learning management software, training, and hotspots to enable Waco ISD students to access the internet. The District utilized federal funding under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), in its various forms, for most of these purchases. As mentioned previously, the Elementary and Secondary Schools Emergency Relief (ESSER) Fund helped TEA hold local education agencies harmless for attendance declines from closures starting in March 2020 and \$4.7 million was used to offset a reduction in the Foundation School Program funding that the District was originally slated to receive. As of September 1, 2020, the District had approximately \$2.3 million in ESSER funding remaining. These funds will be targeted at additional technology and other interventions to begin to address any losses in student achievement.

Since the budget was adopted, funds in the amount of \$12.0 million have been appropriated for the construction of a new Paul Tyson Stadium, central chiller and freezer units for child nutrition programs, as well as a number of other major maintenance projects.

Both the decline in student enrollment and remote instruction have negatively impact reimbursements under the National School Breakfast and Lunch Program. Appropriations of \$8.2 million exceed estimated revenues of \$7.0 million by \$1.2 million. Fortunately, the District ended the 2018-2019 fiscal year with an excess fund balance, drawing it down \$0.7 million in fiscal year 2020, and has invested, and had planned to invest, the excess balance into equipment upgrades. The beginning fund balance of \$3.1 million is sufficient to maintain the program through the pandemic.

On the debt service side, property value increases along with the early defeasance of a portion of the Series 2016 bonds, allowed the Board to decrease the interest and sinking tax rate from \$0.234 to \$0.224153 per \$100 of valuation. Lower interest rates have also provided an opportunity for the District to refund outstanding Series 2015 and 2016 bonds.

The District continues to deal with the protracted impact of COVID-19. We do not expect projections of enrollment, ADA, or staffing to get any easier for the 2021-2022 budget. Furthermore, changes in instructional delivery may be here to stay. The District will continue to monitor information and capture new data to refine budget estimates in order to restructure programs and develop spending plans to best support student success.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances. Questions concerning this report or requests for additional information should be addressed to the Assistant Superintendent of Finance, Waco Independent School District, 501 Franklin Avenue, Waco, Texas 76701.

Basic Financial Statements

(This page intentionally left blank)

Waco Independent School District
Statement of Net Position
August 31, 2020

Exhibit A-1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	Assets	
1110	Cash and cash equivalents	\$ 68,714,589
1120	Investments	2,995,203
1220	Property taxes receivable	3,775,409
1230	Allowance for uncollectible taxes	(2,488,694)
1240	Due from other governments	6,480,029
1250	Accrued interest receivable	169,682
1290	Other receivables	352,711
1300	Inventories	587,904
1400	Prepayments	782,300
	Capital assets not subject to depreciation:	
1510	Land	9,310,772
	Capital assets, net of accumulated depreciation:	
1520	Buildings and improvements	160,486,781
1530	Furniture, equipment, and vehicles	8,360,247
1000	Total assets	<u>259,526,933</u>
	Deferred Outflows of Resources	
1701	Deferred charge on refunding	12,130,272
1705	Deferred outflow of pension resources	24,426,256
1706	Deferred outflow of other post-employment benefit resources	7,051,225
1700	Total deferred outflows of resources	<u>43,607,753</u>
	Liabilities	
2110	Accounts payable	7,857,341
2120	Other liabilities	895,514
2140	Accrued interest payable	260,979
2150	Payroll deductions and withholdings	1,251,646
2160	Accrued wages payable	1,389,929
2177	Due to fiduciary funds	74,410
2180	Due to other governments	2,388,129
2300	Unearned revenue	1,851,234
	Noncurrent liabilities:	
2501	Due within one year	7,420,000
2502	Due after one year	151,025,378
2540	Net pension liability	48,636,619
2545	Net other post-employment benefit liability	58,253,729
2000	Total liabilities	<u>281,304,908</u>
	Deferred Inflows of Resources	
2605	Deferred inflows of pension resources	9,825,527
2606	Deferred inflows of other post-employment benefit resources	30,124,875
2600	Total deferred inflows of resources	<u>39,950,402</u>
	Net Position (Deficit)	
3200	Net investment in capital assets	32,029,477
	Restricted for:	
3820	Federal and state programs	3,092,933
3850	Debt service	3,774,583
3900	Unrestricted (deficit)	(57,017,617)
3000	Total net position (deficit)	<u>\$ (18,120,624)</u>

Waco Independent School District
Statement of Activities
For the Year Ended August 31, 2020

Exhibit B-1

Data Control Codes	1	Program Revenues		6	
		3	4		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Primary Government:					
Governmental activities:					
0011	Instruction	\$ 105,111,083	\$ 2,863,604	\$ 18,328,687	\$ (83,918,792)
0012	Instructional resource and media services	1,230,515	30,360	59,965	(1,140,190)
0013	Curriculum and instructional staff development	10,385,500	6,072	5,454,679	(4,924,749)
0021	Instructional leadership	5,641,079	287,454	1,494,677	(3,858,948)
0023	School leadership	11,178,027	309,819	1,302,406	(9,565,802)
0031	Guidance, counseling, and evaluation services	6,903,962	267,788	1,958,875	(4,677,299)
0032	Social work services	1,183,436	-	459,794	(723,642)
0033	Health services	1,532,816	-	499,042	(1,033,774)
0034	Student transportation services	3,155,808	30,360	449,543	(2,675,905)
0035	Food services	11,404,285	350,362	10,085,868	(968,055)
0036	Extracurricular activities	6,059,245	508,589	742,879	(4,807,777)
0041	General administration	5,671,606	86,763	1,858,179	(3,726,664)
0051	Plant maintenance and operations	17,657,184	320,540	449,317	(16,887,327)
0052	Security and monitoring services	2,316,628	4,773	104,484	(2,207,371)
0053	Data processing services	4,561,909	9,547	576,971	(3,975,391)
0061	Community services	1,669,506	103,496	928,956	(637,054)
0072	Interest on long-term debt	6,297,691	-	309,070	(5,988,621)
0073	Issuance cost and fees	15,812	-	-	(15,812)
0093	Payments to fiscal agents/member districts of shared services arrangements	423,945	72,454	-	(351,491)
0095	Payments related to Juvenile Justice Alternative Education Program	646,950	-	-	(646,950)
0097	Payments to tax increment zones	8,000,245	-	-	(8,000,245)
0099	Other intergovernmental charges	755,302	-	-	(755,302)
TP	Total primary government	<u>\$ 211,802,534</u>	<u>\$ 5,251,981</u>	<u>\$ 45,063,392</u>	<u>(161,487,161)</u>
	Data Control Codes				
	General revenues:				
	Taxes:				
MT	Property taxes, levied for general purposes				67,873,571
DT	Property taxes, levied for debt service				14,883,194
GC	Grants and contributions not restricted				76,390,346
IE	Investment earnings				995,027
MI	Miscellaneous				911,362
SI	Loss of disposal of capital assets				(163,174)
TR	Total general revenues				<u>160,890,326</u>
CN	Change in net position				(596,835)
NB	Net position (deficit), beginning				<u>(17,523,789)</u>
NE	Net position (deficit), ending				<u>\$ (18,120,624)</u>

Waco Independent School District
Balance Sheet
Governmental Funds
August 31, 2020

Exhibit C-1

Data Control Codes	10	24	Elementary & Secondary		50	Total	
	General Fund	Natl School Breakfast & Lunch Fund	School Emergency Relief Fund	Debt Service Fund	Non-major Governmental Funds	Governmental Funds	
Assets							
1110	Cash and cash equivalents	\$ 60,646,084	\$ 3,221,500	\$ -	\$ 4,017,289	\$ 829,716	\$ 68,714,589
1120	Investments	2,995,200	-	-	3	-	2,995,203
1220	Property taxes - delinquent	3,084,213	-	-	691,196	-	3,775,409
1230	Allowance for uncollectible taxes (credit)	(2,029,060)	-	-	(459,634)	-	(2,488,694)
1240	Receivables from other governments	63,204	180,880	2,977,530	-	3,258,415	6,480,029
1250	Accrued interest receivable	153,401	16,281	-	-	-	169,682
1260	Due from other funds	4,868,640	15,461	-	-	1,443,057	6,327,158
1290	Other receivables	8,969	971	-	-	119,828	129,768
1300	Inventories	587,904	-	-	-	-	587,904
1410	Prepayments	591,300	-	-	-	-	591,300
	Total assets	<u>\$ 70,969,855</u>	<u>\$ 3,435,093</u>	<u>\$ 2,977,530</u>	<u>\$ 4,248,854</u>	<u>\$ 5,651,016</u>	<u>\$ 87,282,348</u>
Liabilities							
2110	Accounts payable	\$ 5,938,785	\$ 209,193	\$ 9,557	\$ -	\$ 1,404,914	\$ 7,562,449
2120	Other current liabilities	47,564	-	-	-	45,030	92,594
2150	Payroll deductions and withholdings payable	1,250,034	-	-	-	-	1,250,034
2160	Accrued wages payable	1,164,962	20,204	762	-	204,001	1,389,929
2170	Due to other funds	6,154,314	-	2,967,211	-	1,901,430	11,022,955
2180	Due to other governments	2,353,096	-	-	26,509	8,524	2,388,129
2300	Unearned revenues	325,499	112,763	-	-	1,412,972	1,851,234
	Total liabilities	<u>17,234,254</u>	<u>342,160</u>	<u>2,977,530</u>	<u>26,509</u>	<u>4,976,871</u>	<u>25,557,324</u>
Deferred Inflows of Resources							
2601	Unavailable revenues - property taxes	1,055,153	-	-	231,563	-	1,286,716
2600	Total deferred inflows of resources	<u>1,055,153</u>	<u>-</u>	<u>-</u>	<u>231,563</u>	<u>-</u>	<u>1,286,716</u>
Fund Balances							
Nonspendable fund balance:							
3410	Investments in inventory	587,904	-	-	-	-	587,904
3430	Prepaid items	591,300	-	-	-	-	591,300
Restricted fund balance:							
3450	Federal or state funds grant restriction	-	3,092,933	-	-	-	3,092,933
3470	Capital acquisition and contractual obligations	-	-	-	-	1,566	1,566
3480	Retirement of long-term debt	-	-	-	3,990,782	-	3,990,782
3490	Other restricted fund balance	2,123,100	-	-	-	-	2,123,100
Committed fund balance:							
3510	Construction and other major improvements	1,074,872	-	-	-	-	1,074,872
3530	Capital expenditures for equipment	1,139,670	-	-	-	-	1,139,670
3545	Other committed fund balance	1,155,114	-	-	-	672,580	1,827,694
3600	Unassigned fund balance	46,008,487	-	-	-	-	46,008,487
3000	Total fund balances	<u>52,680,447</u>	<u>3,092,933</u>	<u>-</u>	<u>3,990,782</u>	<u>674,146</u>	<u>60,438,308</u>
4000	Total liabilities, deferred inflows, and fund balances	<u>\$ 70,969,854</u>	<u>\$ 3,435,093</u>	<u>\$ 2,977,530</u>	<u>\$ 4,248,854</u>	<u>\$ 5,651,017</u>	<u>\$ 87,282,348</u>

Waco Independent School District
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
August 31, 2020

Exhibit C-1R

Fund balances - total governmental funds (Exhibit C-1) \$ 60,438,308

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental capital assets costs	\$ 329,808,998	
Accumulated depreciation of governmental capital assets	<u>(151,651,198)</u>	178,157,800

Property taxes receivable, that will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds. 1,286,716

Long-term liabilities, including bonds payable, net pension liability, and net other post-employment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end, related to such items, consist of:

Bonds payable, at original par	\$ (141,440,000)	
Premium on bonds payable	(16,818,595)	
Accreted interest on capital appreciation bonds	(186,783)	
Accrued interest on the bonds	(260,979)	
Net pension liability	(48,636,619)	
Net post-employment benefits liability	<u>(58,253,729)</u>	(265,596,705)

An internal service fund is used by the District to charge the costs of various services to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 3,935,906

Deferred charge on refunding is reported as deferred outflow in the statement of net position and is not reported in the funds because it is not a current financial resource available to pay for current expenditures. 12,130,272

Deferred outflows for pension and post-employment benefits represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenses/ expenditures) until then. 31,477,481

Deferred inflows for pension and post-employment benefits represents an acquisition of net position that applies to future period and will not be recognized as an inflow of resources (revenue) until that time. (39,950,402)

Net position (deficit) of governmental activities (Exhibit A-1) \$ (18,120,624)

Waco Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended August 31, 2020

Exhibit C-2

Data Control Codes	10	24	Elementary & Secondary		50	98	
	General Fund	Natl School Breakfast & Lunch Fund	School Emergency Relief Fund	Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds	
Revenues							
5700	Local and intermediate sources	\$ 70,497,158	\$ 380,402	\$ -	\$ 15,169,970	\$ 4,530,119	\$ 90,577,649
5800	State program revenues	83,362,919	51,003	-	309,070	2,826,465	86,549,457
5900	Federal program revenues	3,572,674	8,111,133	2,686,536	-	14,369,394	28,739,737
5020	Total revenues	<u>157,432,751</u>	<u>8,542,538</u>	<u>2,686,536</u>	<u>15,479,040</u>	<u>21,725,978</u>	<u>205,866,843</u>
Expenditures							
Current:							
0011	Instruction	81,405,298	-	1,824,882	-	11,498,061	94,728,241
0012	Instructional resources and media	986,797	-	-	-	39,607	1,026,404
0013	Curriculum and instructional staff development	4,594,384	-	461,592	-	3,874,392	8,930,368
0021	Instructional leadership	3,678,064	-	-	-	1,314,053	4,992,117
0023	School leadership	9,788,135	-	1,188	-	643,095	10,432,418
0031	Guidance, counseling, and evaluation services	4,650,634	-	8,360	-	1,601,715	6,260,709
0032	Social work services	705,262	-	-	-	350,392	1,055,654
0033	Health services	1,333,137	-	87,019	-	23,350	1,443,506
0034	Student transportation services	2,648,110	-	-	-	-	2,648,110
0035	Food services	-	9,272,048	-	-	1,225,172	10,497,220
0036	Extracurricular activities	4,735,129	-	3,090	-	687,273	5,425,492
0041	General administration	5,283,286	-	-	-	13,317	5,296,603
0051	Plant maintenance and operations	17,196,747	-	40,495	-	183,996	17,421,238
0052	Security and monitoring services	2,403,138	-	6,551	-	21,239	2,430,928
0053	Data processing services	4,309,063	-	253,359	-	18,144	4,580,566
0061	Community services	664,592	-	-	-	772,486	1,437,078
Debt service:							
0071	Principal	345,000	-	-	6,990,000	-	7,335,000
0072	Interest	9,513	-	-	7,334,155	-	7,343,668
0073	Bond issuance cost and fees	-	-	-	15,812	-	15,812
Capital outlay:							
0081	Facilities acquisition, construction, and improvements	103,970	-	-	-	-	103,970
Intergovernmental:							
0093	Payments to fiscal agent/member of shared services arrangements	340,000	-	-	-	83,945	423,945
0095	Payments related to Juvenile Justice Alternative Education Program	646,950	-	-	-	-	646,950
0097	Payments to tax increment fund	6,794,847	-	-	1,205,398	-	8,000,245
0099	Other intergovernmental charges	755,302	-	-	-	-	755,302
6030	Total expenditures	<u>153,377,358</u>	<u>9,272,048</u>	<u>2,686,536</u>	<u>15,545,365</u>	<u>22,350,237</u>	<u>203,231,544</u>
1100	Excess (deficiency) of revenues (under) expenditures	4,055,393	(729,510)	-	(66,325)	(624,259)	2,635,299
Other Financing Sources (Uses)							
7912	Sale of real and personal property	42,315	-	-	-	-	42,315
7915	Transfers in	-	-	-	-	655,568	655,568
8911	Transfers out	(655,568)	-	-	-	-	(655,568)
	Total other financing sources (uses)	<u>(613,253)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>655,568</u>	<u>42,315</u>
1200	Net change in fund balances	3,442,140	(729,510)	-	(66,325)	31,309	2,677,614
0100	Fund balances, beginning	49,238,307	3,822,443	-	4,057,107	642,837	57,760,694
3000	Fund balances, ending	<u>\$ 52,680,447</u>	<u>\$ 3,092,933</u>	<u>\$ -</u>	<u>\$ 3,990,782</u>	<u>\$ 674,146</u>	<u>\$ 60,438,308</u>

The notes to the financial statements are an integral part of this statement.

Waco Independent School District
Reconciliation of Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended August 31, 2020

Exhibit C-2R

Total net changes in fund balances - Governmental Funds (Exhibit C-2) \$ 2,677,614

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital assets increase	\$ 2,325,469	
Depreciation expense	<u>(8,307,893)</u>	(5,982,424)

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments, and dispositions) is a decrease to net position. (205,489)

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. The decrease in deferred tax revenues is a decrease to net position. (226,870)

Repayment of bond and note principal, including accreted interest paid of \$705,000, is an expenditure in the governmental funds. The repayment reduces long-term liabilities in the statement of net position. 7,390,000

Advanced defeasance of bonds totaling \$650,000 and the related unamortized premium and deferred charge on refunding reduces long-term liabilities in the statement of 715,244

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The net decrease in interest reported in the statement of activities consist of the following:

Accrued interest on current interest bonds payable decreased	\$ 19,412	
Interest accreted on capital appreciation bonds	(39,658)	
Amortization of bond premiums	1,123,349	
Amortization of charge on refunding	<u>(827,370)</u>	275,733

The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not provide or require the use of current financial resources and, therefore, is not reported as revenues or expenditures in the governmental funds. The net change consists of the following:

Deferred outflows decrease	\$ (3,717,991)	
Deferred inflows increase	(4,744,863)	
Net pension liability decrease	<u>1,944,291</u>	(6,518,563)

The net change in net post-employment benefits liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not provide or require the use of current financial resources and, therefore, is not reported as revenues or expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increase	\$ 1,839,762	
Deferred inflows increase	(5,630,756)	
Net other post-employment benefits liability decrease	<u>3,859,809</u>	68,815

An internal service fund is used by the District to charge the costs of various services to the individual funds. The change in net position of the following internal service fund is reported in the government-wide statements. 1,209,105

Changes in net position of governmental activities (Exhibit B-1) \$ (596,835)

Waco Independent School District
Statement of Net Position
Proprietary Fund
August 31, 2020

Exhibit D-1

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Assets	
Current assets:	
Due from other funds	\$ 4,621,387
Other receivables	222,943
Prepayments	<u>191,000</u>
Total assets	<u>5,035,330</u>
Liabilities	
Current liabilities:	
Accounts payable	294,892
Short term claims payable	802,920
Payroll deductions and withholdings payable	<u>1,612</u>
Total liabilities	<u>1,099,424</u>
Net Position	
Unrestricted net position	<u>3,935,906</u>
Total net position	<u>\$ 3,935,906</u>

Waco Independent School District
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year Ended August 31, 2020

Exhibit D-2

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Operating revenues:	
Employee contributions	\$ 2,955,645
Rebates on prescription drugs	830,310
Assessments to other funds	<u>9,730,811</u>
Total operating revenues	<u>13,516,766</u>
Operating expenses:	
Contracted administrative services	1,253,254
Reinsurance	1,481,865
Other operating expenses	6,134
Claims expense	<u>9,566,408</u>
Total operating expenses	<u>12,307,661</u>
Change in Net Position	1,209,105
Net position:	
Net position, beginning	<u>2,726,801</u>
Net position, ending	<u><u>\$ 3,935,906</u></u>

Waco Independent School District
Statement of Cash Flows
Proprietary Fund
For the Year Ended August 31, 2020

Exhibit D-3

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Cash Flows from Operating Activities	
Cash received from employee contributions	\$ 2,955,645
Cash received from rebates on prescription drugs	830,310
Cash received from assessments to other funds	8,147,605
Cash payments for contracted administrative services	(1,257,776)
Cash payments for reinsurance	(1,487,865)
Cash payments for claims	<u>(9,187,919)</u>
Net cash provided by operating activities	<u>-</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u><u>\$ -</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 1,209,105
Effects of increases and decreases in current assets and liabilities:	
Increase in receivables	(1,293,624)
Increase in prepaid expenses	(6,000)
Increase in accounts payable	163,330
Increase in payroll deductions and withholdings payable	1,612
Decrease in claims liability	<u>(74,423)</u>
Net cash provided by operating activities	<u><u>\$ -</u></u>

Waco Independent School District
Statement of Net Position
Fiduciary Funds
August 31, 2020

Exhibit E-1

	<u>Custodial Fund</u>
Assets	
Investments	\$ 14,999
Accrued interest	218
Due from other funds	<u>74,410</u>
Total assets	<u>\$ 89,627</u>
Liabilities	
Accounts payable	<u>\$ 560</u>
Total liabilities	<u>560</u>
Net Position	
Restricted for other purposes	<u>89,067</u>
Total net position	<u><u>\$ 89,067</u></u>

Waco Independent School District
Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended August 31, 2020

Exhibit E-2

	<u>Custodial Fund</u>
Additions:	
Earnings from investments	\$ 312
Miscellaneous revenue from student activities	<u>62,235</u>
Total additions	<u>62,547</u>
Deductions:	
Contracted services	7,413
Supplies and materials	16,860
Scholarships and awards granted	50
Student travel	5,143
Dues and fees	1,512
Other miscellaneous operating expenses	<u>27,049</u>
Total deductions	<u>58,027</u>
Change in net position	4,520
Net position:	
Restricted for students and other organizations	
Net position, beginning	15,372
Cumulative effect of implementation of GASB 84	<u>69,175</u>
Net position, beginning, restated	<u>84,547</u>
Net position, ending	<u>\$ 89,067</u>

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

Note 1. Summary of Significant Accounting Policies

The basic financial statements of the Waco Independent School District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement No. 56, and it complies with the requirements of the appropriate version of the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

Reporting Entity

The Waco Independent School District (the "District") is an independent school district operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has primary responsibility for fiscal matters.

Prescribed criteria under GAAP include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

The Waco Independent School District Public Facilities Corporation (the "PFC") has been included as a blended component unit within the reporting entity. Created in February 1999 for the purpose of constructing a stadium facility for the District and governed by the same Board that governs the District, the PFC issued lease revenue bonds in the amount of \$4,300,000 and signed a lease agreement with the District for the use of the stadium. Additionally, the District contributed \$8,539,000 toward the construction of the stadium. Annual lease payments approximate the debt service requirements for the bonds. Final payment was made on the lease revenue bonds during the 2019-2020 fiscal year.

In evaluating how to define the government for financial reporting purposes, the District's management has considered all potential component units. By applying the criteria set forth in GAAP, the District has determined that no other organizations require inclusion within the reporting entity.

Government-wide Financial Statements

The government-wide financial statements report the information on all of the non-fiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. There are no business-type activities reported for the District.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2020

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's non-fiduciary activities with most of the interfund activities removed. Transactions among governmental funds and between governmental funds and proprietary funds appear as due to/due from other funds on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other financing sources and uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. Interfund services provided and used are not eliminated in the consolidation of funds for the Statement of Activities. All interfund transactions that do not represent services provided and used between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as receivables and payables on the government-wide Statement of Net Position.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements, these amounts are reported as transfers in/transfers out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include amounts paid by organizations outside the District that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items, not properly included among program revenues, are reported instead as general revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a specific function. Depreciation expense is specifically identified by function and is included in the direct expense to each function.

Fund Financial Statements

The District's accounts are organized into funds, each of which is considered to be a separate accounting unit. The operations of each fund are accounted for through a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, deferred outflows/inflows of resources, equity, revenues, and expenditures or expenses.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. In accordance with the provisions of GASB Statement No. 34, the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

The District reports the following major governmental funds:

General fund – The general fund is the District’s primary operating fund. It is used to account for and report all financial resources not accounted for and reported in another fund. The general fund is always considered a major fund for reporting purposes.

National School Breakfast and Lunch Program fund – This fund is a special revenue fund used to account for resources restricted to the child nutrition program by the U.S. Department of Agriculture.

Elementary and Secondary Schools Emergency Relief (ESSER) fund – This fund is a special revenue fund used to account for resources allocated to the district under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide local educational agencies with emergency relief funds to address the impact of COVID-19.

Debt service fund – The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue is local property taxes specifically for debt service.

The District reports the following non-major governmental funds:

Special revenue funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. Funds include campus activity funds and all federal, state, and locally funded grants.

Capital projects funds – The capital projects funds are used to account for proceeds from the sales of bonds and other financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including acquiring, constructing, renovating and equipping of District facilities.

The District reports the following proprietary fund type:

Internal service fund - Revenues and expenses related to services provided to segments of the District on a cost reimbursement basis are accounted for in an internal service fund. The District's internal service fund accounts for health insurance, workers' compensation and unemployment claims coverage provided to other departments of the District on a cost reimbursement basis as well as claims administration.

The District reports the following fiduciary fund type:

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

The fund financial statements provide information about the District’s funds, including its fiduciary fund and blended component unit. The fund financial statements report on the financial condition and results of operations for each fund category – governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental funds. Each major individual governmental fund is reported as a separate column in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2020

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are assessments to other funds for health insurance, workers' compensation and unemployment coverage. Operating expenses for the internal service fund includes of cost of claims and administrative expenses. Because internal service funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid inflating the revenues and expenses of the District as a whole.

Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements.

Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements use the *economic resources* measurement focus and the *accrual* basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements use the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues available if they are collected within 120 days of the end of the current fiscal period.

Grant revenues and contributions are recorded as revenues when the qualifying expenditures have been incurred and eligibility requirements are met. Grant funds received in advance are recorded as unearned revenue until earned. Contributions received with purpose restrictions are recorded as revenue and the related fund balance is designated until restrictions are satisfied. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount. Amounts reported as program revenues include operating grants and contributions, food services user charges, rental charges, and tuition. The District also recognized revenues for the state's share of the contributions to the Teacher Retirement System of Texas. See Notes 10 and 11 for additional information on the employee's retirement plans.

Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues include all taxes and state revenues identified as available school fund and formula. The TEA, through its application of state law, allocates state revenues to school districts by formula allocation. The District receives a per capita allocation from the Available School Fund and a foundation school program allocation. Other state revenues are received through miscellaneous programs on an allocated basis. Property taxes, charges for services, and other miscellaneous revenue items are considered to be measurable and available only when cash is received by the government.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2020

Expenditures are generally recognized in the accounting period in which the liability is incurred. However, debt service expenditures are recorded only when matured and payment is due. Expenditures related to claims and judgments are recognized when the obligations are expected to be liquidated with expendable, available financial resources. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from the issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Grant and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The proprietary and custodial funds are reported using the *economic resources* measurement focus and the *accrual* basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund's Statement of Net Position. The fund equity is segregated into restricted net position and unrestricted net position.

GASB Pronouncements implemented by the District

GASB Statement No. 84, *Fiduciary Activities*. This Statement was issued in January 2017 and provides guidance to enhance the consistency and comparability of fiduciary activity reporting by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities.

Use of estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Data Control Codes

The Data Control Codes refer to the account code structure prescribed by TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide data base for policy development and fiscal planning.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, cash equivalents, and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All investments in pools are considered cash equivalents.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2020

Investments can consist of certificates of deposit, U.S. Treasury instruments, U.S. Government agency obligations, commercial paper, investments in government sponsored enterprises, repurchase agreements, and obligations of Texas and other states, and their political subdivisions. Investments for the District, except for certain investment pools and non-negotiable certificates of deposit, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or net asset value, i.e., fair value. Fair value is determined by the amount by which a financial instrument could be exchanged in a current transaction between willing parties. Non-negotiable certificates of deposit are reported at cost. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments. See Note 3 for additional discussion.

Property taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when collected.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off according to the Texas Property Tax Code. See Note 4 for the discussion of the write-off of uncollectible taxes in the current year.

Interfund receivables and payables

Advances between funds, as reported in the fund financial statements, are accounted for in the appropriate interfund receivable and payable accounts. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations. Such balances are eliminated within the governmental activities for the government-wide financial statements. See Note 7 for additional discussion.

Inventories and prepaid items

The District generally reports inventories of supplies using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased, except for food supplies in the National School Breakfast and Lunch fund, which is reported as an expenditure when purchased. Inventories of food commodities are recorded at fair values by the food service management company. The value of all donated foods received for use in the meal service program are credited to the District through the monthly contract billings and reported as a revenue and expenditure when received. Although commodities are received at no cost, their fair value is supplied by the Texas Department of Agriculture.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

Capital assets

Capital assets, which include land, buildings and improvements, furniture, equipment, vehicles, and infrastructure assets (e.g. sidewalks, curbs, and similar items), are reported in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building costs and is being depreciated over the same useful life as the building. Capital assets, except for buildings and improvements and infrastructure assets, are generally defined by the District as assets with an initial unit cost of \$5,000 or more and an estimated useful life in excess of one year. Buildings and improvements are capitalized when the cost of such improvements is \$100,000 or more. Likewise, infrastructure assets costing less than \$500,000 are not capitalized.

Capital assets are recorded at historical cost or estimated historical cost, if purchased or constructed. The costs of normal maintenance and repairs that do not materially add to the value of the asset or extend the lives of assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Donated capital assets are recorded at acquisition value.

Buildings, building improvements, furniture and equipment, and vehicles, of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building improvements and improvements other than buildings	6 - 50
Furniture and equipment	4 - 25
Vehicles	8 - 10

Land and construction in progress are not depreciated.

Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Accretion of interest on capital appreciation bonds are recorded at the accreted value through the end of the fiscal year.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position includes a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category:

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2020

- Deferred charge on refunding – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension – Reported in the government-wide statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences in other pension activities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees), except for projected and actual earning differences on investments which are amortized on a closed basis over a five-year period.
- Deferred outflows of resources for other post-employment benefits (OPEB) – The deferred outflows of resources related to post-employment benefits resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net post-employment benefit liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period. The remaining deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive) that are provided with post-employment benefits through the post-employment benefit plan.

In addition to liabilities, the statement of net position or the balance sheet includes a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items which qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension – Reported in the government-wide statement of net position, these deferred inflows result primarily from differences in pension activities. The other pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees), except for projected and actual earning differences on investments which are amortized on a closed basis over a five-year period.
- Deferred inflows of resources for other post-employment benefits (OPEB) – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These post-employment benefits related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive) that are provided with post-employment benefits through the post-employment benefit plan, except for projected and actual earnings differences on investments which have amortized on a closed basis over a five-year period.

See Notes 10 and 11 for the detail of deferred resource outflows and inflows.

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

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 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.

Other Post-employment benefits (OPEB) liability

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.

Government-wide net position

Net position represents the difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources. The District's net position is composed of the following:

Net investment in capital assets – The component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvements of these capital assets.

Restricted for federal and state programs – The component of net position that reports the difference between assets and liabilities of the federal and state special revenue programs that consists of assets with constraints placed on their use by U.S. Agencies and the Texas Education Agency.

Restricted for debt service – The component of net position that reports the difference between assets and liabilities with constraints placed on their use by law.

Unrestricted – The difference between the assets and liabilities that are not reported in net position invested in capital assets, net position restricted for debt service, net position restricted for federal and state programs, and net position restricted for other purposes.

Governmental fund balance classifications and policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The fund balance in governmental funds has been classified as follows to describe the relative strength of the spending constraints:

Nonspendable fund balance – The portion of fund balance that is not expendable or is legally earmarked for a specific use. Nonspendable fund balance reserves may include items such as inventory or prepaid expenses.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2020

Restricted fund balance – The portion of fund balance that reflects resources that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors. Restricted fund balances include funds for school breakfast and lunch programs, funds restricted for capital asset acquisition, funds used to retire long-term debt, or resources from granting agencies.

Committed fund balance – The portion of fund balance the represents amounts that can only be used for a specific purpose because of a formal action taken by the District’s Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board takes the same level of action to remove or change the constraint. The commitment of fund balance must be made prior to year-end.

Assigned fund balance – The portion of fund balance that represents amounts which the District intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed. The Board has authorized the administration to assign a portion of the fund balance, not to exceed one percent of the annual operating expenditures, as may be required to meet the financial needs of the District. 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. Assignments can be made at any time.

Unassigned fund balance – The portion of the spendable fund balance that is not constrained and may be spent for any legal 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.

District policy requires that the general operating fund has a sufficient fund balance to maintain fiscal independence in case of a financial need. The District should maintain an unassigned fund balance of at least 20 percent of the total annual operating expenditures of the general fund. By resolution, the Board may commit a portion of the fund balance for a specific purpose. The committed portion of the fund balance must be spent for the specified purpose and may be amended at any time with Board approval. The amount of any budget deficit approved by the Board shall be categorized as an assignment of fund balance.

Encumbrances outstanding at year-end are not reported separately within the fund balance classifications but are reflected in the restricted, committed, or assigned fund balance classifications based on the source of constraints placed upon the resources encumbered. Encumbrances for specific purposes for which amounts have not already been restricted, committed, or assigned are reported as assigned fund balance. Encumbrances are documented by purchase orders and contracts.

In general, it is the District’s policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which restricted and unrestricted (i.e. committed, assigned, or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used after other resources have been used.

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

By August 20, the District prepares a proposed budget for the succeeding fiscal year beginning September 1. The proposed budget includes expenditures and the means of financing them. A meeting of the Board of Trustees is then called for the purpose of adopting the proposed budget. At least ten days’ public notice of the meeting must be given. Prior to September 1, the budget is legally adopted through passage of a resolution by the Board.

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

The appropriated budget is prepared by fund, function, object, organization, and program intent code as required under the TEA's FASRG. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the function level. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, amendments were necessary during the year. Additionally, the Board approved supplemental budgetary appropriations throughout the year. These revisions are further detailed in the notes to the required supplementary information.

As legally adopted, the District's official budget includes budgets for the general fund, the National School Breakfast and Lunch program, and the debt service fund. Annual budgets are also adopted for the Regional Day School for the Deaf, the McLennan County Challenge Academy, and the Greater Waco Advanced Academies.

Although special revenue funds, other than the National School Breakfast and Lunch program and funds previously listed, do not have formally appropriated annual budgets, since other means control the use of these resources (e.g., grant awards and endowment requirements) and may span a period of more than one fiscal year, budgets are prepared for these funds, as well as capital projects funds and the internal services fund, as a management tool to ensure that resources are obtained and used in accordance with other finance-related legal or contractual requirements. Budgets for capital projects fund(s) are appropriated on a project basis. Specific projects are individually authorized by the Board, in compliance with applicable bond covenants, for construction funded from proceeds of long-term debt financing.

Encumbrances

The District utilizes encumbrance accounting in its governmental funds. Encumbrances represent commitments related to contracts not yet performed and are used to control expenditures for the year and enhance cash management. The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources.

Prior to year-end, every effort is made to liquidate outstanding encumbrances. Encumbrances for open purchase orders or contracts outstanding at the end of the fiscal year are usually honored by the District. If the District allows encumbrances to lapse, even though it will honor the encumbrance, the appropriations authority expires. Funds for significant encumbrances are reappropriated in the following year's budget. Encumbrances outstanding at year-end are reported in restricted or committed, or assigned fund balances, as appropriate.

At August 31, 2020 certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:	
	Restricted Fund Balance	Committed Fund Balance
General fund	\$ -	3,384,420
National School Breakfast & Lunch Fund	73	-
Total nonmajor funds	-	7,150
Total encumbrances	\$ 73	3,391,570

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

Note 3. Cash and Investments

Deposit and investment transactions of the District are regulated by state statutes through provisions of Chapter 23, Subchapter E, Sections 23.71 through 23.8, The School Depository Act, of the Texas Education Code and other code sections referenced therein and through provisions of the Texas Revised Civil Statutes, Title 47, Articles 2529c and 2548a, regarding security for District funds in Depository Institutions.

In accordance with applicable statutes, the District has a depository contract with an area bank providing for interest rates to be earned on deposited funds and for banking charges incurred as a result of banking services received. Depository contracts have a term of two years, commencing with the start of every odd-numbered fiscal year. Depository contracts are awarded on the basis of competitive bids received from area banks.

The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository bank's agent bank. The pledged securities are in compliance with the Texas Government Code, Chapter 2257, "Collateral for Public Funds", and are sufficient to meet the terms agreed to in the current depository contract. The District's depository agreement with the bank requires an irrevocable standby letter of credit issued in favor of the District by the Federal Home Loan Bank of Dallas.

At August 31, 2020, the combined balance of cash, savings and time deposit accounts with the District's depository financial institution was \$8,707,705. The bank's combined balances totaled \$10,344,143. District funds are insured by full Federal Deposit Insurance Corporation (FDIC) coverage up to \$250,000 for combined demand accounts and \$250,000 for the combined amount of all time and savings accounts with the remaining amount secured by the letter of credit issued in the amount of \$45,000,000. In addition, the following is disclosed regarding coverage of combined cash and certificates of deposit balances on the date of highest deposit:

- Depository bank: Extraco Banks
- Total amount of FDIC coverage at the time of highest combined balance was \$500,000

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The Texas Education Code (TEC) and the Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code and the District's investment policies, regulate deposits and investment transactions of the District.

The TEC authorizes the District to place the proceeds from debt issues in properly secured or collateralized interest bearing time deposits with any Texas state or national bank having federal depository insurance coverage for depositors or directly in bonds or other obligations of the United States or U.S. Agency securities. TEC requirements prohibit the District from investing debt issue proceeds in interest-bearing time deposits that have any risk of original invested principal loss.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers' acceptances; (7) mutual funds; (8) investment pools; (9) guaranteed investment contracts; (10) and common trust funds.

The PFIA requires an annual review and approval of investment policies and practices. The review disclosed that in this area of investment practices, management reports, and establishment of appropriate policies, the District materially adhered to the requirements of the PFIA.

For fiscal year 2020, the District invested in certificates of deposits (direct purchase bank issue and brokered) and other FDIC insured deposits, commercial paper, public funds investment pools, and money market funds.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2020

In accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, certain District investments have been recorded at fair value based upon quoted market prices as of August 31, 2020 with the increase or decrease in fair value being recorded as a component of earnings on investments. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

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

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

As of August 31, 2020, the District's governmental activities cash and cash equivalents and investments with respective maturities and credit rating are as follows:

Type of Investment	Book Value	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)	Percent of Total Cash and Investments	Weighted Average Maturity (Days)	Credit Risk
Cash and cash equivalents:					
Cash on hand	\$ 18,845	\$ -	0.0%	-	
Cash in depository	8,707,705	-	12.1%	-	Not rated**
Certificates of deposit, Texas TERM	12,450,000	-	17.4%	191	Not rated**
Money market funds, Landing Rock	11,725,183	-	16.4%	-	Not rated**
Investment pools measured at amortized cost:					
Lone Star Government Overnight	6,743,950	-	9.4%	24	AAAm*
TexasDAILY	2,584,894	-	3.6%	22	AAAm*
TexPool	21,591,610	-	30.1%	32	AAAm*
Investments subject to fair value, not subject to level reporting:					
Lone Star Corporate Overnight Plus	5,318	-	0.0%	65	AAAm*
Texas Class	4,887,084	-	6.8%	54	AAAm*
Total cash and cash equivalents	<u>68,714,589</u>	<u>-</u>	<u>95.8%</u>		
Investments:					
Investments measured at fair value, subject to level reporting:					
Commercial paper	2,995,203	2,995,203	4.2%	176	A-1*
Total investments	<u>2,995,203</u>	<u>2,995,203</u>	<u>4.2%</u>		
Total value	<u>\$ 71,709,792</u>	<u>\$ 2,995,203</u>	<u>100.0%</u>		
Portfolio weighted average maturity				<u>57</u>	

* Standard & Poor's Rating

** FDIC insured

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2020

Investment pools are measured at amortized cost or fair value and are exempt from level reporting. Certificates of deposit are measured at cost. Commercial paper is valued using a matrix pricing technique based on the securities' relationship to benchmark quoted prices.

The District purchases certificates of deposit (CD) through direct purchase, issued by depository institutions that have its main office or a branch office in Texas that is guaranteed or insured by the FDIC. The District also purchases CDs through a broker that has its main office or a branch office in this state and selected from a list adopted by the Board of Trustees as required by Government Code 2256.025. These purchase programs include the *Certificate of Deposit Account Registry Services (CDARS)* program and the *Texas TERM CD Purchase Program*. CDs are purchased in principal amounts that, when aggregated with interest to accrue over the term of the CD, will not exceed \$250,000, therefore ensuring that each CD will be insured by the FDIC.

CDARS is a special service developed by Promontory Interfinancial Network, LLC. Funds placed through *CDARS* are deposited only in FDIC-insured banks. The District has entered into a *CDARS* Deposit Placement Agreement and custodial agreement with Hilltop Securities. Hilltop Securities acts as custodian for the *CDARS* deposits with the Bank of New York Mellon is the subcustodian. Early withdrawals are available, but may require the payment of a substantial penalty.

The District also utilizes the *TexasTERM CD Purchase Program* in purchasing CDs. The program offers participants competitive rates of return on FDIC-insured investments. The CDs in which a participant invests are direct investments of the participant, are not assets of the Texas TERM Local Government Investment Pool, and are not held in any portfolio of the Pool.

The District holds a number of CDs issued by local depository institutions in its fiduciary capacity over custodial funds. In purchasing the CDs, the District obtains rate quotes from local depository institutions. All deposits are fully covered through FDIC insurance.

Through the *Landing Rock insured deposits* program, the District maintains interest-bearing on-demand deposits. The program offered by Landing Rock, invests funds at financial institutions throughout the U.S. The District has entered into an agreement with Landing Rock to act in an agent capacity for the program. Funds in these programs are FDIC insured upon deposit at participating program institutions. Cash deposits are distributed among well capitalized banks in increments of less than \$250,000, the current FDIC insurance limit. Liquidity is at par plus interest, without any early withdrawal penalties or fees.

The certificates of deposit and money market funds are deposited in such a manner that maintains full insurance of the funds by the FDIC. Consequently, these amounts are excluded from the fair value hierarchy as they are considered deposits with financial institutions.

The Lone Star Government Overnight, TexPool and TexasDAILY investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, qualify, liquidity, and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions.

The Lone Star Corporate Overnight Plus and Texas CLASS investment pools are external investment pools measured at fair value, i.e., their net asset value. Such investment pool's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2020

securities. The District has no unfunded commitments related to the investment pools. Such investment pools have a redemption notice period of one day and may redeem daily.

These investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium, or national or state emergency that affects the pools' liquidity.

The TexasTERM is a fixed-rate, fixed-term portfolio that enables investors to lock in a fixed rate for a term of 60 days to 365 days. The portfolio is measured at fair value, i.e., net asset value and seeks to assure the return of principal on the planned maturity date, although principal value may fluctuate prior to that date, and therefore may be greater or less than \$1.00 a share. Significant fees may be charged for redemptions prior to the agreed-upon redemption date.

Commercial paper, classified in level 2 of the fair value hierarchy, is valued using index pricing and market spreads.

Interest Rate Risk

In accordance with the District's investment policy, investments are made in a manner that ensures the preservation of capital in the overall portfolio and offsets during a twelve-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. The District's investment strategy states that no individual transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio. To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District manages its exposure to declines in fair values by limiting the maturity of its investment portfolio. The term of any collateralized mortgage obligation is limited to ten years, repurchase agreements may not exceed 90 days, bankers' acceptances and commercial paper must have a stated maturity of 270 days or less, no-load money market mutual funds must have a dollar-weighted average stated maturity of 90 days or less, and no-load mutual funds must have an average weighted maturity of less than two years.

Custodial Credit Risk for Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. All deposits not covered by FDIC insurance but held in the depository bank, Extraco, were fully collateralized.

Custodial Credit Risk for Investments

To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over for safekeeping with the District's designated agent, First Horizon Bank.

Credit Risk

It is the District's policy to limit its investment in a manner that ensures the preservation of capital in the overall portfolio. Specifically, repurchase agreements must be secured by obligations of the United States or its agencies, commercial paper must be rated not less than 'A-1' or 'P-1', no-load mutual funds must be rated not less than 'AAA' or its equivalent, and public funds investment pools must be continuously rated no lower than 'AAA' or 'AAAm' or at an equivalent rating. The District's investments in local government investment pools (LGIPs) include: Lone Star, Texas Class, Texas DAILY, Texas TERM, and TexPool. These are all public funds investment pools operating in full compliance with the Public Funds Investment Act. All are rated 'AAAm' by Standard and Poor's.

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

Concentration of Credit Risk

To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's investment portfolio is diversified in terms of investment instruments, maturity scheduling, and financial institutions. District policy further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental activities, individual major funds, aggregate non-major funds and fiduciary funds than they are in the primary government.

The net increase in the fair value of investments during the year ended August 31, 2020, is included in investment earnings as follows:

Investment earnings	\$ 930,252
Net increase in fair value of investments	<u>64,775</u>
Total investment earnings	<u><u>\$ 995,027</u></u>

Note 4. Local Revenues and Property Taxes

Local and intermediate sources revenues are comprised of the following:

	General Fund	National School Breakfast and Lunch Fund	Debt Service Fund	Non-major Governmental Funds	Total
Property taxes	\$ 68,079,579	\$ -	\$ 14,904,056	\$ -	\$ 82,983,635
Other tax related income	744,713	-	160,354	-	905,067
SSA revenue from					
member districts	83,945	-	-	1,449,075	1,533,020
Services to other districts	-	-	-	393,400	393,400
Tuition and fees	195,533	-	-	1,716,370	1,911,903
Investment income	889,467	30,034	105,560	-	1,025,061
Rental income	117,526	-	-	-	117,526
Gifts and bequests	1,000	-	-	403,445	404,445
Insurance recoveries	7,462	-	-	-	7,462
Food sales	-	350,362	-	-	350,362
Extra-curricular activities	262,603	-	-	75,971	338,574
Other charges for services	115,330	6	-	491,858	607,194
	<u>\$ 70,497,158</u>	<u>\$ 380,402</u>	<u>\$ 15,169,970</u>	<u>\$ 4,530,119</u>	<u>\$ 90,577,649</u>

Property taxes

Appraisal of property within the District is the responsibility of the McLennan County Appraisal District. The District's ad valorem property tax is levied on October 1 on the assessed value as of the prior January 1 for all real and business personal property located in the District. Taxes are due and payable on receipt of the tax bill. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest imposed. The assessed value of the roll on January 1, 2019 was \$9,528,167,612. After deductions of all exemptions and reductions provided by law, the 2019 tax levy was based on a net taxable value of \$6,271,959,413.

The tax rates assessed for the year ended August 31, 2020, to finance general fund operations and the payment of principal and interest on long-term debt were \$1.06835 and \$0.23410 per \$100 valuation, respectively, for a total rate of \$1.30245 per \$100 valuation. Property tax revenues are considered available

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

when collected. Current tax collections for the fiscal year ended August 31, 2020, were 98.23% of the adjusted tax levy.

All taxes become delinquent on February 1 of the subsequent year. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based upon historical experience in collecting property taxes. The District has provided an allowance for estimated uncollectible property taxes and estimated adjustments within the general and debt service funds of \$2,029,060 and \$459,634, respectively.

The Texas Property Tax Code directs tax collectors to cancel and remove from the tax rolls real property taxes that have been delinquent more than 20 years and personal property taxes that have been delinquent more than 10 years. Additionally, the Texas Property Tax Code provides that personal property may not be seized and a suit may not be filed to collect a tax on personal property that has been delinquent more than four years. Approximately 59% of the levy is not expected to be collected in the subsequent year.

Note 5. Receivables

Receivables as of year-end for the District's individual major funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Funds	General Fund	National School Breakfast & Lunch Pgm	Elementary & Secondary Emergency Relief Grant	Debt Service Fund	Non-major Governmental Funds	Total
Property taxes, delinquent	\$3,084,213	\$ -	\$ -	\$ 691,196	\$ -	\$ 3,775,409
Due from other governments						
Federal	12,165	-	-	-	16,460	28,625
State	51,039	180,880	2,977,530	-	3,224,007	6,433,456
Other governments	-	-	-	-	17,948	17,948
Accrued interest	153,401	16,281	-	-	-	169,682
Other receivables	8,969	971	-	-	119,828	129,768
Gross receivables	3,309,787	198,132	2,977,530	691,196	3,378,243	10,554,888
Less: Allowance for uncollectible taxes	(2,029,060)	-	-	(459,634)	-	(2,488,694)
Net receivables	<u>\$1,280,727</u>	<u>\$ 198,132</u>	<u>\$2,977,530</u>	<u>\$ 231,562</u>	<u>\$ 3,378,243</u>	<u>\$ 8,066,194</u>

Amounts due from other governments in the general fund are primarily for the Medicaid Assistance Program and indirect cost. Amounts due from the state in the National School Breakfast and Lunch Program represent receivables for reimbursable meals. Amounts due from local, state, and federal agencies in the non-major governmental funds represent receivables for the excess of expenditures over revenues incurred in the administration of various supplemental education programs.

Receivables in the custodial funds consist of accrued interest of \$218.

Note 6. Unearned Revenue

Governmental funds report unearned revenue in connection with receivables for revenues that are considered to be unavailable to liquidate liabilities in the current period or in connection with resources that have been received, but not yet earned.

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

A summary of unearned revenue by fund follows:

	<u>Unearned Revenue</u>
General Fund	
Special Education Fiscal Support Grant	\$ 325,499
National School Breakfast and Lunch Fund	
Grant funds received prior to meeting eligibility requirements	112,763
Other governmental funds	
Grant funds received prior to meeting eligibility requirements	<u>1,412,972</u>
Total	<u><u>\$ 1,851,234</u></u>

Note 7. Interfund Balances and Transfers

Interfund balances result from the time lag between the dates that reimbursable expenditures occur and payments between funds are made. The interfund receivable and payable between the general fund and non-major governmental funds occurs when expenditures take place before the reimbursement is received from the granting agency. The interfund balances between the general fund and the capital projects, debt service, agency, and internal services funds occur due to payments made from the general fund operating account on behalf of these funds. The interfund balances between the internal services fund and the general and non-major governmental funds occur due to the recording of health insurance, workers' compensation and unemployment liabilities recorded but not yet funded.

Interfund balances at August 31, 2020, consisted of the following:

<u>Funds</u>	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 4,868,640	\$ 6,154,314
National School Breakfast and Lunch fund	15,461	-
Elementary & Secondary School Emergency Relief Grant		2,967,211
Other non-major governmental funds	1,443,057	1,901,430
Internal Service fund	4,621,387	-
Custodial funds	<u>74,410</u>	<u>-</u>
Total interfund balances	<u><u>\$11,022,955</u></u>	<u><u>\$11,022,955</u></u>

Operating transfers take place without an equivalent flow of assets back to the transferring fund with no expectation of repayment. In the year ended August 31, 2020, operating transfers were made between the following funds:

<u>Funds</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ -	\$ 655,568
Other non-major governmental funds:		
Greater Waco Advanced Academies	285,133	-
Regional Day School Program for the Deaf	<u>370,435</u>	
Total operating transfers	<u><u>\$ 655,568</u></u>	<u><u>\$ 655,568</u></u>

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

During the fiscal year ended August 31, 2020, the District made the following one-time transfers:

- Transfers totaling \$285,133 from the general fund to a non-major special revenue fund to cover the operating deficits for the Greater Waco Advanced Manufacturing and Health Care Academies in the amount of \$172,509 and \$112,624, respectively.
- Transfer in the amount of \$370,435 from the general fund to a non-major special revenue fund to cover the operating deficit for the Regional Day School for the Deaf to cover the operating deficit.

Note 8. Capital Assets

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

	Balance September 1, 2019	Additions	Retirements and Transfers	Balance August 31, 2020
<i>Capital assets, not being depreciated:</i>				
Land	\$ 9,310,772	\$ -	\$ -	\$ 9,310,772
Total capital assets, not being depreciated	9,310,772	-	-	9,310,772
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	284,260,189	543,334	394,180	285,197,703
Furniture, equipment, and vehicles	35,682,373	1,782,135	(2,163,985)	35,300,523
Total capital assets, being depreciated	319,942,562	2,325,469	(1,769,805)	320,498,226
Less accumulated depreciation for:				
Buildings and improvements	118,599,422	6,111,500	-	124,710,922
Furniture, equipment, and vehicles	26,308,199	2,196,393	(1,564,316)	26,940,276
Total accumulated depreciation	144,907,621	8,307,893	(1,564,316)	151,651,198
Total capital assets, being depreciated, net	175,034,941	(5,982,424)	(205,489)	168,847,028
Governmental activities capital assets, net	\$ 184,345,713	\$ (5,982,424)	\$ (205,489)	\$ 178,157,800

Depreciation expense of the governmental activities for the year ended August 31, 2020 was charged to the functions as follows:

Function	Description	Amount
11	Instruction	\$ 4,765,952
12	Instructional resources and media services	190,010
13	Curriculum and instructional staff development	12,606
21	Instructional leadership	99,253
23	School leadership	97,274
31	Guidance, counseling, and evaluation services	42,353
33	Health services	41,479
34	Student transportation services	550,018
35	Food services	626,132
36	Extracurricular activities	786,078
41	General administration	137,492
51	Plant maintenance and operations	387,738
52	Security and monitoring services	49,713
53	Data processing services	496,865
61	Community services	24,930
	Total depreciation expense - governmental activities	<u>\$ 8,307,893</u>

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

Note 9. Long-term Liabilities

The District's long-term liabilities consist of bonded indebtedness, net pension liability and net other post-employment benefits liability. The current requirements for general obligation bonds principal and interest are accounted for in the debt service fund. The current requirements for lease and revenue bonds are accounted for in the general fund. The current requirements for the net pension liability and net other post-employment benefits liability are accounted for in the general and special revenue funds.

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Revenue bonds were issued in 1999 to provide funds for the construction of an athletics facility for the District.

Changes in long-term liabilities

Long-term liability activity for the year ended August 31, 2020, was as follows:

	Balance September 1, 2019	(Provisions) and Additions	Reductions	Balance August 31, 2020	Due Within One Year
Bonds payable:					
General obligation bonds, par	\$ 148,430,000	\$ -	\$ (6,990,000)	\$ 141,440,000	\$ 7,420,000
Lease revenue bonds	345,000	-	(345,000)	-	-
Premiums	18,075,498	-	(1,256,903)	16,818,595	-
Accumulated accretion	852,125	39,658	(705,000)	186,783	-
Total bonds payable	167,702,623	39,658	(9,296,903)	158,445,378	7,420,000
Net pension liability	50,580,910	7,960,743	(9,905,034)	48,636,619	-
Other post-employment benefits liability	62,113,538	6,254,499	(10,114,308)	58,253,729	-
Total long-term liabilities	<u>\$ 280,397,071</u>	<u>\$ 14,254,900</u>	<u>\$ (29,316,245)</u>	<u>\$ 265,335,726</u>	<u>\$ 7,420,000</u>

General obligation bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities and to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These are issued as current interest bonds or capital appreciation bonds (CAB). Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indenture. The \$141,440,000 in outstanding general obligation bonds and related liabilities comprises debt backed by the full faith of the State of Texas Permanent School Fund.

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

General obligation bonds outstanding at August 31, 2020 are as follows:

Series	Interest Rate	Original Issue Amount	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2006 (CAB)	4.23%	\$ 45,000	2020	\$ 45,000	\$ -	\$ (45,000)	\$ -
2010	2.00%-3.25%	7,550,000	2020	765,000	-	(765,000)	-
2013	0.28%-4.00%	9,635,000	2020	1,730,000	-	(1,730,000)	-
2014	2.00%-4.00%	8,320,000	2025	8,095,000	-	(15,000)	8,080,000
2014 (CAB)	2.70%	150,000	2023	150,000	-	-	150,000
2015	2.00%-5.00%	96,730,000	2038	91,570,000	-	(3,405,000)	88,165,000
2016	2.00%-5.00%	47,120,000	2038	46,075,000	-	(1,030,000)	45,045,000
Totals -- bonds payable at original par value				148,430,000	-	(6,990,000)	141,440,000
Deferred amounts:							
For issuance premiums				18,075,498	-	(1,256,903)	16,818,595
For accreted interest				852,125	39,658	(705,000)	186,783
Totals -- bonds payable				<u>\$ 167,357,623</u>	<u>\$ 39,658</u>	<u>\$ (8,951,903)</u>	<u>\$ 158,445,378</u>

General obligation bonds mature serially and the capital appreciation bonds accrete in value through 2023. Debt service requirements for general obligation bonds are as follows:

Year Ended August 31,	Principal	Interest	Total
2021	\$ 7,420,000	\$ 6,231,000	\$ 13,651,000
2022	7,750,000	5,860,300	13,610,300
2023	5,865,000	5,688,100	11,553,100
2024	5,640,000	5,187,350	10,827,350
2025	5,875,000	4,956,100	10,831,100
2026-2030	35,275,000	20,394,000	55,669,000
2031-2035	43,450,000	12,222,300	55,672,300
2036-2038	30,165,000	2,591,300	32,756,300
	<u>141,440,000</u>	<u>\$ 63,130,450</u>	<u>\$204,570,450</u>

A portion of the bonds sold in 2006 and 2014 were capital appreciation bonds, commonly referred to as "premium compound interest bonds". These bonds were issued at a discount to their par or maturity value and will accrete interest until maturity. The following reflects the total accreted value of outstanding capital appreciation bonds at August 31, 2020.

Series	Amount Due at Maturity	Amount Received at Issue	Total to be Accreted	Balance September 1, 2019	Current Year Accretion	Additions / Maturities	Balance August 31, 2020
UTRB, Series 2006	\$ 750,000	\$ 45,000	\$705,000	\$ 674,254	\$ 30,746	\$ (705,000)	\$ -
UTRB, Series 2014	365,000	150,000	215,000	177,871	8,912	-	186,783
Total	<u>\$ 1,115,000</u>	<u>\$ 195,000</u>	<u>\$ 920,000</u>	<u>\$ 852,125</u>	<u>\$ 39,658</u>	<u>\$ (705,000)</u>	<u>\$ 186,783</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. The District is in compliance with all significant limitations and restrictions at August 31, 2020. The District's interest and sinking (I&S) ad valorem tax rate is subject to a \$0.50 tax rate cap limitation. The District's I&S tax rate for the 2019 tax year was \$0.23410.

As of August 31, 2020, the District had no authorized but unissued unlimited tax bonds.

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

Advance Defeasance

In February 2020, the District utilized current assets to defease \$650,000 of the outstanding August 15, 2038 maturities of the Unlimited Tax Refunding Bonds, Series 2016, in order to reduce its future debt service payments by \$1,251,250. The defeasance resulted in a negative arbitrage or loss in debt service savings of \$75,098. At year end, outstanding bonds considered defeased totaled \$650,000.

Lease revenue bonds

The Waco Independent School District Public Facilities Corporation (“PFC”) was created in February 1999 for the purpose of constructing a stadium facility for the District. In October, 1999, the PFC issued lease revenue bonds in the amount of \$4,300,000 at an interest rate of 5.5%, maturing October 1, 2019, and signed a lease agreement with the District for use of the stadium. Annual lease payments approximate the debt service requirements for the lease revenue bonds. The District contributed \$8,539,000 toward the construction of the stadium. The PFC is included as a blended component unit within the reporting entity. As such, capital assets and long-term debt of the PFC are included in the District’s government-wide statement of net position. As of August 31, 2020, the lease revenue bonds have been paid in full.

Arbitrage

The Federal Tax Reform Act of 1986 enacted section 148(f) of the Internal Revenue Code, relating to arbitrage rebate requirements, which generally provides that, in order for interest on any issue of obligation to be excluded from gross income, the issuer must rebate to the United States the sum of (1) the excess of the amount earned on all “non-purpose investments” acquired with “gross proceeds” of the issue over the amount which would have been earned if such investments had been invested at a yield equal to the yield on the issue, and (2) the earnings on such excess earnings.

The Act requires issuers of tax-exempt debt to make payments to the U.S. Treasury for investment income received at yields that exceed the issuer’s tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due.

The District estimates and updates its liability annually for all tax-exempt issuances, as required by law. Final arbitrage calculations are scheduled as follow:

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Issue Name</u>	<u>Next Report</u>
6/15/2016	\$ 47,172,000	Unlimited Tax Refunding Bonds, Series 2016	7/14/2021

As of August 31, 2020, there was no arbitrage rebate liability on the issued bonds.

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

Note 10. Pension obligations under defined benefit retirement plan

Plan description

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

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, notes, and required supplementary information. The report may be obtained on the Internet at <https://trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting "About TRS", "Publications", and "Financial Reports". The separately issued GASB 67 actuarial valuation is available under "About TRS", "Publications", "Actuarial Valuation Reports" or by writing to TRS at: 1000 Red River Street, Austin, Texas 78701-2698.

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% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description above.

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.

In May, 2019, the 86th 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 13th 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 of \$2,000, whichever was less.

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

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 Reform Bill (Senate Bill 12) of the 86th Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

	Contribution Rates		
	2020	2019	2018
Member	7.7%	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	6.8%	6.8%
Employers/District	7.5%	6.8%	6.8%

The contribution amounts for the District's fiscal year 2020 are as follows:

Employer Contributions	\$ 3,850,936
Member Contributions	8,197,188
Non-Employer Contributing Entity On-Behalf Contributions (State)	5,442,497

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.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate, called the Public Education Employer Contribution, will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

Waco 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. This charge was in effect through fiscal year 2019 and was replaced with the Public Education Employer contribution explained above.

Actuarial assumptions

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

Valuation date	August 31, 2018, rolled forward to August 31, 2019
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level Percentage of Payroll, Floating
Remaining Amortization Period	29 years based on increased employer and member rates enacted during the 2019 legislative session
Asset valuation method	5 Year Smoothed Market
Single discount rate	7.250%
Long-term expected rate	7.25%
Municipal bond rate	2.63%*
Last year ending August 31 in 2017 to 2116	
projection period (100 years)	2116
Inflation	2.30%
Salary increases	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

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, 2018. For a full description of these assumptions, please see the actuarial valuation report dated November 9, 2018.

Discount rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2020

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2019 (see page 52 of the TRS CAFR) are summarized below:

Asset Class	FY 2019 Target Allocation Percent ¹	New Allocation Percent ²	Long-term Expected Geometric Real Rate of Return ³
Global Equity			
U.S.	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00%	13.00%	6.30%
Emerging Markets	9.00%	9.00%	7.30%
Directional Hedge Funds	4.00%	-	-
Private Equity	13.00%	14.00%	8.40%
Stable Value			
U.S. Treasuries ⁴	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Absolute Return	0.00%	0.00%	0.00%
Real Return			
Global Inflation Linked Bonds ⁴	3.00%	-	-
Real Estate	14.00%	15.00%	8.50%
Energy and Natural Resources	5.00%	6.00%	7.30%
Commodities	0.00%	0.00%	0.00%
Risk Parity	5.00%	8.00%	5.8%/6.5% ⁵
Leverage			
Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage	-	-6.00%	2.70%
Total	100.00%	100.00%	7.23%

¹ Target allocations are based on the Strategic Asset Allocation as of FY 2019.

² New allocations are based on the Strategic Asset Allocation to be implemented FY 2020.

³ 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1% sovereign nominal and inflation-linked bonds.

⁵ 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility.

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

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 and the District's proportionate share of the respective net pension liability.

	1% Decrease in Discount Rate 6.25%	Current Single Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
Single Discount Rate Assumptions	\$ 74,761,549	\$ 48,636,619	\$ 27,470,383

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 \$48,636,619 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	\$ 48,636,619
State's proportionate share of the net pension liability associated with the District	<u>67,003,759</u>
Total	<u>\$115,640,378</u>

The net pension liability was measured as of August 31, 2018 and rolled forward to 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 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, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.093562321% which was an increase of 0.001667921% from its proportion measured as of August 31, 2018. The change in the employer's proportion of the net pension liability was primarily due to proportionality adjustments for contributions.

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 single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

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

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2020

For the year ended August 31, 2020, the District recognized pension expense of \$20,894,846 and revenue of \$10,525,347 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 pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 204,317	\$ 1,688,741
Changes in assumptions	15,089,468	6,235,682
Difference between projected and actual investment earnings contributions plan)	488,367	-
District contributions paid subsequent to the measurement date	4,793,168	1,901,104
	3,850,936	-
Total	<u>\$24,426,256</u>	<u>\$ 9,825,527</u>

The \$3,850,936 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended August 31, 2021.

Other amounts reported as 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	\$ 3,237,052
2022	2,603,525
2023	2,471,462
2024	2,217,559
2025	632,173
Thereafter	(411,978)
Total	<u>\$ 10,749,793</u>

Note 11. Defined other post-employment benefit plan

Plan Description

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

Plan fiduciary net position

Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. The 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, Texas 78701-2698; or by calling (512) 542-6592.

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

Benefits provided

TRS-Care provides a 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 plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees 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 retirees are reflected in the following table.

TRS-Care Plan Premium Rates
Effective January 1, 2019 - December 31, 2020

	Medicare	Non-Medicare
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 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% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

The following table shows contributions to the TRS-Care plan by type of contributor.

	2020	2019	2018
Active employee	0.65%	0.65%	0.65%
Non-employer contribution entity (state)	1.25%	1.25%	1.25%
Employers/District	0.75%	0.75%	0.75%
Federal/private funding remitted by employer	1.25%	1.25%	1.25%

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

The contribution amounts for the District's fiscal year 2020 are as follows:

District (employer) contributions	\$ 951,363
Member (employee) contributions	691,972
State on-behalf contributions (Non-employer contributing entity)	1,482,342
State on-behalf contributions - Medicare Part D	506,960

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

The 86th Texas Legislature HB 1 provided additional fund to the Teacher Retirement System for 2019-2020. The District's share of the additional funds from the Non-Employer Contributing Entity totaled \$284,248.

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2018. Updated procedures were used to roll forward the total OPEB liability to August 31, 2019.

The actuarial valuation of TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of mortality, 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 active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates 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).

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

The following additional actuarial methods and assumptions were employed in the August 31, 2019 actuarial valuation of the total OPEB liability:

Valuation date	August 31, 2018, rolled forward to August 31, 2019
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single discount rate	2.63% as of August 31, 2019
Aging factors	Based on plan specific experience
Election rates	Normal retirement: 65% participation prior to age 65 and 50% 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 claim costs.
Projected salary increases	3.05% to 9.05%, including inflation
Healthcare trend rates	Initial medical trend rate of 10.25% for Medicare retirees and 7.50% for non-Medicare retirees. Initial prescription drug trend rate of 10.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 13 years.
Ad hoc post-employment benefit changes	None

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 2.30%
- 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.

Discount rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06% 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.

Sensitivity of the net OPEB liability

Discount rate

The following schedule presents the District’s proportionate share of net OPEB liability of the plan using the discount rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower, 1.63%, or one-percentage point higher, 3.63% than the AA/Aa rate.

Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumptions		
1% Decrease (1.63%)	Current Single Discount Rate (2.63%)	1% Increase (3.63%)
\$	\$	\$
70,330,943	58,253,729	48,805,713

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

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 \$58,253,729 for its proportionate share of the TRS’s net OPEB liability. This liability reflects an increase for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ 58,253,729
State's proportionate share of the net OPEB liability associated with the District	<u>77,406,176</u>
Total	<u>\$ 135,659,905</u>

The net OPEB liability was measured as of August 31, 2018 and rolled forward to 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 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, 2018 through August 31, 2019.

At August 31, 2019, the employer’s proportion of the collective net OPEB liability was 0.12318084% which was a decrease of 0.00121811% from its proportion measured as of August 31, 2018.

The following presents the District’s proportionate share of net OPEB liability using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less or 1% greater than the assumed 7.3% health-care cost trend rate:

Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions		
Current		
Healthcare Cost		
<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
\$ 47,521,349	\$ 58,253,729	\$ 72,630,190

Changes since the prior actuarial valuation

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

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the total OPEB liability.
- The health care trend rates were reset to better reflect the plan’s anticipated experience. The change increased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 70% to 65 percent. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the total OPEB liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the total OPEB liability.

There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of \$2,922,657 and revenue of \$2,040,109 for support provided by the State.

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,857,841	\$ 9,532,605
Changes of assumptions	3,235,540	15,668,823
Difference between projected and actual earnings on OPEB investments	6,285	-
Changes in proportion and differences between district contributions and proportionate share of contributions	196	4,923,447
District contributions subsequent to measurement date	951,363	-
Totals	<u>\$ 7,051,225</u>	<u>\$ 30,124,875</u>

\$951,363 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended August 31, 2021. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to OPEB will be recognized in OPEB income as follows:

Year ending August 31,	OPEB Income Amount
2021	\$ 3,901,769
2022	3,901,769
2023	3,903,804
2024	3,904,967
2025	3,904,649
Thereafter	4,508,055
Total	<u>\$ 24,025,013</u>

Federal government retiree drug subsidy - Medicare, Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were effective January 1, 2006. 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 years ended August 31, 2020, 2019, and 2018, the subsidy payments received by TRS-Care on –behalf of the District were \$506,960, \$375,291, and \$301,050, respectively. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity.

Note 12. Compensated Absences

It is the District’s policy to permit some employees to accumulate earned, but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

Note 13. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. There were no significant reductions in insurance coverage from the prior year. The District purchases commercial insurance to cover general liabilities. There have been no claim settlements in excess of insurance coverage in the last three years.

Health care coverage

On January 1, 2019, the District established a self-funded health insurance plan. The District has contracted with United Health Care to provide administrative services for the health care benefits program and Express-Scripts to provide pharmacy benefits management. Under the plan, employees had a choice of three plans, including two HMO and a high-deductible plan which offers a health savings account (HSA). Health benefit consulting services are contracted from an independent firm.

The health benefits plan is accounted for in the Internal Services Fund and is funded through employee and employer contributions. The District makes contributions to cover a portion of the employees' premiums and the employees are required to make contributions to cover their dependents. For the 2019 plan year, the District contributed \$404.25 per employee, per month. The contracts between the District and the insurer provide terms of coverage and contribution rates. The District obtains stop loss coverage through a third-party insurance company for claims in excess of \$150,000.

The Internal Services Fund charges the General Fund and other funds for the District's portion of premiums for employees whose salaries are charged to those funds. The liability includes actuarially estimated amounts with a 10.0% margin for incurred but not reported claims (IBNR) of \$551,336 in medical claims and \$61,753 in prescription drugs. The following is a reconciliation of changes in the aggregate liabilities for claims for the year ended August 31, 2020:

	2020	2019
Beginning of the year liability	\$ 612,102	\$ 771,000
Current year claims, including changes in estimates	10,126,377	8,675,702
Claims payments	<u>(10,125,390)</u>	<u>(8,834,600)</u>
End of the year liability	<u>\$ 613,089</u>	<u>\$ 612,102</u>

Workers' compensation

During the year ended August 31, 2020, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The fund provides statutory workers' compensation benefits to its members' injured employees.

The District participates in the Fund's reimbursable aggregate deductible program. As such, the District is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims liability.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2020

August 31, 2019, the Fund carries a discounted reserve of \$48,439,534 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2020, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductible.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance.

For the 2019-2020 plan year, the excess coverage insurance policy covers any claim in excess of \$688,982. The Fund performs an evaluation of workers' compensation claims submitted incidents occurring prior to August 31, 2020, and has projected open claims and incurred but not reported claims for all years will cost \$189,831. The District has not significantly reduced insurance coverage during the past three years or had settlements which exceeded coverage.

The following is a reconciliation of changes in the aggregate liabilities for claims for the last two fiscal years:

	<u>2020</u>	<u>2019</u>
Beginning of the year liability	\$ 265,241	\$ 397,855
Current year claims, including changes in estimates	84,419	29,196
Claims payments	<u>(159,829)</u>	<u>(161,810)</u>
End of the year liability	<u>\$ 189,831</u>	<u>\$ 265,241</u>

Auto liability, general liability, and legal liability

During the year ended August 31, 2020, the District participated in the following TASB Risk Management Fund programs:

- Auto liability
- Auto Physical Damage
- Legal liability
- Privacy and Information Security

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability, and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2020, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance.

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

Note 14. Shared service arrangements

McLennan County Challenge Academy – Juvenile Justice Alternative Education Program

The District is the fiscal agent for the McLennan County Challenge Academy, a Shared Service Arrangement (SSA) which provides discretionary and mandatory juvenile justice alternative education programs to member districts. All services are provided by the fiscal agent. In addition to State funding, member districts provide funds to the fiscal agent. According to guidance provided in the TEA's Resource Guide, the District has accounted for the fiscal agent's activities for this SSA in a Special Revenue Fund.

Expenditures of the SSA are summarized by member district on the following schedule:

<u>Member District</u>	<u>Percent of Students</u>	<u>Allocated Expenditures</u>
Axtell	0.23%	\$ 1,906
Bosqueville	0.02%	166
Bruceville-Eddy	0.27%	2,238
China Spring	0.85%	7,045
Connally	7.46%	61,828
La Vega	6.46%	53,540
Lorena	0.15%	1,243
Mart	0.05%	414
McGregor	0.02%	166
Midway	5.74%	47,572
Moody	2.00%	16,576
Riesel	1.52%	12,598
Robinson	3.14%	26,024
Waco	70.95%	588,023
West	1.14%	9,448
Total	<u>100.00%</u>	<u>\$ 828,787</u>

Regional Day School for the Deaf

The District is also the fiscal agent for an SSA which provides special education services for the deaf to member districts. All services are provided by the fiscal agent. In addition to State and Federal program revenues, the member districts provide funds to the fiscal agent. According to guidance provided in the TEA's Resource Guide, the District accounts for the fiscal agent's activities of the SSA in a Special Revenue Fund.

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2020

Expenditures of the SSA are summarized by member district as follows:

<u>Member District</u>	<u>Percent of Students</u>	<u>Allocated Expenditures</u>
Aquilla	0.51%	\$ 5,487
Axtell	2.03%	21,842
Chilton	0.30%	3,228
Connally	4.85%	52,185
Covington	0.30%	3,228
Hubbard	0.51%	5,487
Itasca	0.51%	5,487
Lorena	0.51%	5,487
Mart	0.51%	5,487
McGregor	3.05%	32,817
Midway	7.42%	79,837
Riesel	1.02%	10,975
Robinson	1.73%	18,614
Rosebud-Lott	0.51%	5,487
Waco	72.17%	776,523
West	0.51%	5,487
Westphalia	0.51%	5,487
Whitney	3.05%	32,817
Total	<u>100.00%</u>	<u>\$ 1,075,962</u>

Note 15. Litigation, commitments and contingencies

State and Federal Programs -- The District participates in a number of federal award programs. Although the programs have been audited in accordance with the provisions of U.S. Office of Management and Budget Uniform Guidance through August 31, 2020, these programs are still subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects any such amounts to be immaterial.

As of August 31, 2020, the District was party to construction contracts totaling \$1,565,515 with a remaining commitment of \$809,769 including retainage of \$92,574.

On August 23, 2018, the Waco ISD Board of Trustees approved an Interlocal Cooperation Agreement with McLennan County for the conveyance of land and lease-back of land pursuant to Chapter 791 of the Texas Government Code. This agreement is part of a broader cooperation between the District, the County, and the City of Waco to accommodate the McLennan County Venue Project and improve the Parent Tract. The District agreed to convey the Paul Tyson Complex and Practice Soccer Field, valued at \$1,518,380 and \$189,230, respectively. In return, the County will provide \$2,400,004 in funding for the replacement facility base design along with acceptance of the cost to demolish the old stadium and will lease the existing Paul Tyson Complex and practice soccer field back to the District for the rent of \$1.00 per year. The lease will terminate 60 days after the replacement facility reaches substantial completion. Additionally, the agreement included a Caveat, that, if the City does not agree, as part of the three-party interlocal agreement, to transfer and convey the necessary property to the District to accommodate the Paul Tyson replacement facility, the County will re-convey the leased premises and easements back to the District and the funding commitment shall become null and void. Accordingly, the transaction has not been recognized in the financial records as the City has yet to identify, transfer, or convey such property, as specified in the agreement.

The District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will have no material adverse effect on the District's financial position, results of operations, or liquidity.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2020

Note 16. Subsequent event

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and, any related adverse public health developments, has adversely affected public education, workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the District's operations and financial results at this time.

(This page intentionally left blank)

Required Supplementary Information

(This page intentionally left blank)

Waco Independent School District

Exhibit G-1

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

General Fund

For the Year Ended August 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variances With Final Budget	
	Original	Final			
Revenues					
5700	Local and intermediate sources	\$ 72,925,457	\$ 70,658,640	\$ 70,497,158	\$ (161,482)
5800	State program revenues	88,971,507	86,918,717	83,362,919	(3,555,798)
5900	Federal program revenues	2,592,200	2,592,200	3,572,674	980,474
5020	Total revenues	<u>164,489,164</u>	<u>160,169,557</u>	<u>157,432,751</u>	<u>(2,736,806)</u>
Expenditures					
Current:					
0011	Instruction	85,282,162	85,985,353	81,405,298	4,580,055
0012	Instructional resources and media services	1,041,809	1,176,742	986,797	189,945
0013	Curriculum and instructional staff development	3,972,056	4,847,658	4,594,384	253,274
0021	Instructional leadership	3,840,985	4,036,836	3,678,064	358,772
0023	School leadership	9,631,534	10,178,310	9,788,135	390,175
0031	Guidance, counseling, and evaluation services	5,235,837	5,072,931	4,650,634	422,297
0032	Social work services	848,039	818,660	705,262	113,398
0033	Health services	1,194,913	1,478,813	1,333,137	145,676
0034	Student transportation services	4,312,145	4,492,509	2,648,110	1,844,399
0036	Extracurricular activities	4,659,766	5,112,530	4,735,129	377,401
0041	General administration	5,476,758	5,724,681	5,283,286	441,395
0051	Plant maintenance and operations	19,514,738	19,664,484	17,196,747	2,467,737
0052	Security and monitoring services	3,312,780	3,391,013	2,403,138	987,875
0053	Data processing services	4,789,820	4,572,567	4,309,063	263,504
0061	Community services	866,410	933,510	664,592	268,918
Debt service:					
0071	Principal on long-term debt	345,000	345,000	345,000	-
0072	Interest on long-term debt	10,913	10,913	9,513	1,400
Capital outlay:					
0081	Facilities acquisition and construction	-	399,900	103,970	295,930
Intergovernmental:					
0093	Payments to fiscal agent/member districts of shared services arrangements	720,000	642,713	340,000	302,713
0095	Payments to Juvenile Justice Alternative Education Program	654,000	714,000	646,950	67,050
0097	Payments to tax increment fund	7,719,299	7,719,299	6,794,847	924,452
0099	Other intergovernmental charges	876,200	876,200	755,302	120,898
6030	Total expenditures	<u>164,305,164</u>	<u>168,194,622</u>	<u>153,377,358</u>	<u>14,817,264</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>184,000</u>	<u>(8,025,065)</u>	<u>4,055,393</u>	<u>12,080,458</u>
Other Financing Sources (Uses)					
7912	Sale of real and personal property	-	-	42,315	42,315
8911	Transfers out	(184,000)	(576,007)	(655,568)	(79,561)
	Total other financing sources	<u>(184,000)</u>	<u>(576,007)</u>	<u>(613,253)</u>	<u>(37,246)</u>
1200	Net change in fund balance	-	(8,601,072)	3,442,140	12,043,212
0100	Fund balance, beginning	<u>42,325,667</u>	<u>49,238,307</u>	<u>49,238,307</u>	<u>-</u>
3000	Fund balance, ending	<u>\$ 42,325,667</u>	<u>\$ 40,637,235</u>	<u>\$ 52,680,447</u>	<u>\$ 12,043,212</u>

Waco Independent School District

Exhibit G-2

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

National School Breakfast and Lunch Fund

For the Year Ended August 31, 2020

Data Control Codes	Budgeted Amounts		Actual	Variances	
	Original	Final	Amounts (GAAP Basis)	With Final Budget	
Revenues					
5700	Local and intermediate sources	\$ 558,985	\$ 558,985	\$ 380,402	\$ (178,583)
5800	State program revenues	50,010	50,010	51,003	993
5900	Federal program revenues	<u>10,568,655</u>	<u>10,830,859</u>	<u>8,111,133</u>	<u>(2,719,726)</u>
5020	Total revenues	<u>11,177,650</u>	<u>11,439,854</u>	<u>8,542,538</u>	<u>(2,897,316)</u>
Expenditures					
Current:					
0035	Food services	<u>11,177,650</u>	<u>12,101,376</u>	<u>9,272,048</u>	<u>2,829,328</u>
6030	Total expenditures	<u>11,177,650</u>	<u>12,101,376</u>	<u>9,272,048</u>	<u>2,829,328</u>
1200	Net change in fund balance	-	(661,522)	(729,510)	(67,988)
0100	Fund balance, beginning	<u>3,163,222</u>	<u>3,822,443</u>	<u>3,822,443</u>	-
3000	Fund balance, ending	<u>\$ 3,163,222</u>	<u>\$ 3,160,921</u>	<u>\$ 3,092,933</u>	<u>\$ (67,988)</u>

Waco Independent School District

Notes to the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

General Fund and National School Breakfast and Lunch Fund

For the Year Ended August 31, 2020

Note 16. Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the General, National School Breakfast and Lunch Program, and Debt Service funds. For fiscal years beginning September 1, the Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The District's administration determines budgetary funding priorities and the budgets are prepared in the same basis of accounting that is used for reporting, in accordance with generally accepted accounting principles. Final budget allocations are determined by the Board, which subsequently establishes a tax rate sufficient to support the approved budget. The annual budget, which is prepared on the modified accrual basis of accounting, must be adopted by the Board at a scheduled meeting after giving ten days' public notice of the meeting.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General, the National School Breakfast and Lunch Program, and the Debt Service funds. All annual appropriations lapse at fiscal year-end.

The District's administration continuously monitors the budget, performing reviews during the year in which budget requirements are re-evaluated and revisions are recommended to the Board, as necessary. The Board must approve amendments to the budget at the fund and functional expenditure level or revenue object accounts as defined by the TEA. Expenditures may not legally exceed budgeted appropriations, as amended, at the functional level by fund. The administration may amend the budget without Board approval if appropriations are not transferred between functions.

During fiscal year 2020, General Fund appropriations reflect a net increase of \$3.9 million while revenue reflects a decrease of \$4.3 million. Throughout the year, budgeted appropriations were increased for the following: \$1.3 million for the re-appropriation of budgets for purchase orders from fiscal year 2019 that were honored in fiscal year 2020; \$0.5 million for bus purchases; \$0.8 million for campus improvements including additional staff development. Mid-year, \$1.3 million of projected revenue increases in the State Foundation School Program was amended in to cover related program costs. Additionally, the Board of Trustees approved \$0.8 million for new student devices, \$0.4 million for design fees for the new Paul Tyson Stadium, and \$0.2 million to cover the operating deficit in the Regional Day School Program for the Deaf.

In March, the federal government approved various emergency funding programs to state governments with revenue losses and cost increases resulting from the COVID-19 pandemic. The District was awarded \$5.0 million under the Elementary and Secondary Schools Emergency Relief (ESSER) funding. The state utilized these funds in covering revenue losses, as a result the TEA adjusted districts' average daily attendance, offsetting state appropriations with federal funding. In August, the District amended revenues downward for this and another \$0.5 million in local revenue losses, reducing related appropriations in the amount of \$1.6 million.

During fiscal year 2020, National School Breakfast and Lunch Fund appropriations were increased by \$0.9 million. Budgeted appropriations increased for the re-appropriation of budgets for renovations projects, equipment and vehicles purchases, which were not completed or received at August 31, 2019.

Functional expenditures in neither fund exceeded appropriations for the fiscal year ended August 31, 2020.

Waco Independent School District

Exhibit G-3

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net Pension Liability of a Cost-Sharing Multiple-Employer Pension Plan

Teacher Retirement System of Texas (TRS)

For the Years Ended August 31*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0935623%	0.0918944%	0.0996227%	0.0982921%	0.1010318%	0.0531259%
District's proportionate share of the net pension liability	\$ 48,636,619	\$ 50,580,910	\$ 31,853,985	\$ 37,143,113	\$ 35,713,397	\$ 14,190,662
State's proportionate share of the net pension liability associated with the District	<u>67,003,759</u>	<u>76,045,664</u>	<u>44,581,627</u>	<u>51,722,852</u>	<u>45,090,294</u>	<u>42,706,018</u>
Total	<u>\$ 115,640,378</u>	<u>\$ 126,626,574</u>	<u>\$ 76,435,612</u>	<u>\$ 88,865,965</u>	<u>\$ 80,803,691</u>	<u>\$ 56,896,680</u>
District's covered payroll	\$ 98,033,516	\$ 96,935,706	\$ 96,218,234	\$ 91,012,010	\$ 83,034,215	\$ 78,027,228
District's proportionate share of the net pension liability as a percentage of its covered payroll	49.61%	52.18%	33.11%	40.81%	43.01%	18.19%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

The amounts presented for the fiscal year were determined as of the Plan's fiscal year end, August 31 of the prior year. Ten years of data is not available. Additional information will be added until ten years of data are available and reported.

Waco Independent School District
Required Supplementary Information
Schedule of the District Contributions to the Pension Plan
Teacher Retirement System of Texas (TRS)
For the Years Ended August 31*

Exhibit G-4

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,850,936	\$ 3,237,191	\$ 3,128,330	\$ 3,256,599	\$ 3,122,988	\$ 2,991,594
Contribution in relation to the contractually required contribution	<u>3,850,936</u>	<u>3,237,191</u>	<u>3,128,330</u>	<u>3,256,599</u>	<u>3,122,988</u>	<u>2,991,594</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 105,792,769	\$ 98,033,516	\$ 96,935,706	\$ 96,218,234	\$ 91,012,010	\$ 83,034,215
Contributions as a percentage of covered payroll	3.64%	3.30%	3.23%	3.38%	3.43%	3.60%

The amounts presented for the fiscal year were determined as of the District's fiscal year end, August 31. Ten years of data is not available. Additional information will be added until ten years of data are available and reported.

Waco Independent School District

Exhibit G-5

Required Supplementary Information**Schedule of the District's Proportionate Share of the Net OPEB Liability of a Cost-Sharing Multiple-Employer OPEB Plan****Teacher Retirement System of Texas (TRS)****For the Years Ended August 31***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net other post-employment benefits (OPEB) liability	0.1231808%	0.1243990%	0.1332423%
District's proportionate share of the net OPEB liability	\$ 58,253,729	\$ 62,113,538	\$ 57,942,061
State's proportionate share of the net pension liability associated with the District	<u>77,406,176</u>	<u>80,233,292</u>	<u>70,108,100</u>
Total	<u>\$ 135,659,905</u>	<u>\$ 142,346,830</u>	<u>\$ 128,050,161</u>
District's covered payroll	\$ 98,033,516	\$ 96,935,706	\$ 96,218,234
District's proportionate share of the net pension liability as a percentage of its covered payroll	59.42%	64.08%	60.22%
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%

The amounts presented for the fiscal year were determined as of the Plan's fiscal year end, August 31 of the prior year. Ten years of data is not available. Additional information will be added until ten years of data are available and reported.

Waco Independent School District
Required Supplementary Information
Schedule of the District Contributions to the OPEB Plan
Teacher Retirement System of Texas (TRS)
For the Years Ended August 31*

Exhibit G-6

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 951,363	\$ 867,726	\$ 829,665
Contribution in relation to the contractually required contribution	<u>951,363</u>	<u>867,726</u>	<u>829,665</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 105,792,769	\$ 98,033,516	\$ 96,935,706
Contributions as a percentage of covered payroll	0.90%	0.89%	0.86%

The amounts presented for the fiscal year were determined as of the District's fiscal year end, August 31. Ten years of data is not available. Additional information will be added until ten years of data are available and reported.

Note 17. Net Pension Liability and Net Other Post-Employment Benefits (OPEB) Liability

The following factors significantly affect trends in the amounts reported for the District's proportionate share of the net pension liability and net OPEB liability:

Changes in actuarial assumptions and inputs

Measurement Date August 31,	Net Pension Liability		Net OPEB Liability
	Discount Rate	Long-Term Expected Rate of Return	Discount Rate
2019	7.250%	7.250%	2.630%
2018	6.907%	7.250%	3.690%
2017	8.000%	8.000%	3.420%
2016	8.000%	8.000%	
2015	8.000%	8.000%	

Changes in demographic and economic assumptions

For measurement dates August 31, 2019 and 2014-2017 – No changes in assumptions.

For measurement date August 31, 2018 – Net pension liability and net OPEB liability:

- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement and economic assumptions, including rates of salary increase for individual participants were updated based on the experience study performed for TRS for the period ending August 31, 2017.

Combining and Other Statements

(This page intentionally left blank)

Non-major Governmental Funds

Special Revenue Funds

Special Revenue Funds are governmental funds used to account for specific revenue sources which are legally restricted to expenditures for specified purposes. These funds utilize the modified accrual basis of accounting.

ESSA, Title X, Part C – Education for the Homeless Children and Youth (Fund 206)

This fund is used to account, on a project basis, for funds allocated to local educational agencies to enable schools to provide a variety of staff development and supplemental services, including in-service training, counseling, psychological services and tutoring. This program is authorized under P.L. 107-110, McKinney-Vento Homeless Education Assistance Improvement of 2001, amended by NCLB Act of 2001, Title X, Part C.

ESSA, Title I, Part A – Improving Basic Programs (Fund 211)

This fund is used to account, on a project basis, for funds allocated to local educational agencies to enable schools to provide opportunities for children served to acquire the knowledge and skills contained in the challenging State content standards and to meet the challenging State performance standards developed for all children. This program is authorized under P.L. 107-110.

IDEA, Part B, Formula (Fund 224)

This fund is used to account, on a project basis, for funds granted to operate educational programs for children with disabilities. This funding also includes capacity building and improvement sub-grants. This program is authorized under P.L. 108-446.

IDEA, Part B, Preschool (Fund 225)

This fund is used to account, on a project basis, for funds granted for preschool children with disabilities. This program is authorized under P.L. 105-17.

Summer Feeding Program, Texas Department of Agriculture (Fund 242)

This fund is used to account, on a project basis, for funds that are awarded for meals provided to the community based on the average number of daily participants.

Career and Technical, Basic Grant (Fund 244)

This fund is used to account, on a project basis, for funds granted to provide career and technology education to develop new and/or improve career and technology education programs for paid and unpaid employment. Full participation in the basic grant is from individuals who are members of special populations. This program is authorized by P.L. 109-270.

ESSA, Title II, Part A – Teacher and Principal Training and Recruiting (Fund 255)

This fund is used to provide financial assistance to LEAs to increase student academic achievement through improving teacher and principal quality and increasing the number of highly qualified teachers in classrooms and highly qualified principals in schools, and hold LEAs accountable for improving student academic achievement. This program is authorized under P.L. 107-110.

ESSA, Title III, Part A, English Language Acquisition and Language Enhancement (Fund 263)

This fund is used to account, on a project basis, for funds granted to improve the education of limited English proficient children, by assisting the children to learn English and meet State academic content and student academic achievement standards. This program is authorized under P.L. 107-110.

ESSA, Title IV, Part B – 21st Century Community Learning Centers (Fund 265)

This fund is used to account, on a project basis, for funds granted to provide opportunities for communities to establish or expend activities in community learning centers that provide opportunities for academic enrichment and additional services to students and literary and related educational development for families of students. This program is authorized under P.L. 107-110.

ESSA, Title I, School Improvement Program (SIP) Academy Grant (Fund 276)

This fund is used to account, on a project basis, for funds granted to address the needs of campuses in improvement, corrective action, and restructuring in order to improve student achievement in conjunction with the Title I, School Improvement Program funds to leverage change and improve technical assistance through targeting activities towards measurable outcomes. This program is authorized under P.L. 107-10.

Other Federally Funded Special Revenue Funds (Fund 289)

These funds are used to account, on a project basis, for federally funded special revenue funds that are not otherwise listed.

Shared Services Arrangements – IDEA, Part B, Discretionary (Fund 315)

This fund is used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds used to support the Regional Day School for the Deaf programs and other emerging needs.

Advanced Placement Incentives (Fund 397)

This fund is used to account, on a project basis, for funds awarded to school districts under the Texas Advanced Placement Award Incentive Program, TEC Chapter 28, Subchapter C.

State Instructional Materials (Fund 410)

This fund is used to account, on a project basis, for funds awarded to school districts under the instructional materials allotment, TEC Chapter 31, Subchapter B.

Texas Workforce Commission -- Apprenticeship Training (Fund 427)

This fund is used to account for funds provided to local education agencies, under the Texas Education Code, Chapter 133, to support the costs of job-related classroom instruction in registered apprenticeship training programs.

Other State Special Revenue Funds (Fund 429)

These are state funded special revenue funds not otherwise listed.

Shared Services Arrangements – Regional Day School for the Deaf (Fund 435)

This fund is used by the fiscal agent of a shared services arrangement to account, on a project basis, for funds allocated for staff and activities of the Regional Day School Program for the Deaf.

Shared Services Arrangements – McLennan County Challenge Academy (Fund 446)

This fund is used by the school district, as fiscal agent of a shared services arrangement, to account for activities of the McLennan County Challenge Academy, the Juvenile Justice Alternative Education Program.

Shared Services Arrangements – Regional Day School for the Deaf (Fund 458)

This fund is used by the school district, as fiscal agent of a shared services arrangement, to account for the locally-funded component of the Regional Day School for the Deaf.

Campus Activity Funds (Fund 461)

This fund is used to account for transactions related to a principal's activity fund if the monies generated are not subject to recall by the school district's board of trustees into the general fund.

Waco ISD Education Foundation Grants (Fund 487)

This fund is used to account for grants awarded by the Waco ISD Foundation, an independent, nonprofit organization that provides grants for education programs and projects that are not covered by the school budgets or tax dollars.

Baylor University Professional Development Grant (Fund 492)

This fund is used to account for funds contributed by Baylor University in its partnership with the school district to provide professional mentoring to instructional staff.

Greater Waco Advanced Manufacturing Academies (Fund 497)

This fund is used to account for funds generated through tuition contributions from Waco ISD and other regional districts participating in programs at the Advanced Manufacturing Academy and the Advanced Health Care Academy.

Other Locally Funded Special Revenue Funds (Fund 499)

These funds are locally funded special revenue funds not otherwise listed.

Capital Projects Funds

Capital Projects Funds are used to account, on a project basis, for projects financed by the proceeds from bond issues, or for capital projects otherwise mandated to be accounted for in this fund.

Waco Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2020

Data Control Codes	206	211	224
	ESSA, Title X, Part C - Education of Homeless Children and Youth	ESSA, Title I, Part A - Improving Basic Programs	IDEA, Part B Formula
Assets			
1110 Cash and cash equivalents	\$ -	\$ -	\$ -
1240 Receivables from other governments	16,479	1,421,259	430,915
1260 Due from other funds	-	-	-
1290 Other receivables	-	-	-
Total assets	<u>\$ 16,479</u>	<u>\$ 1,421,259</u>	<u>\$ 430,915</u>
Liabilities			
2110 Accounts payable	\$ 922	\$ 343,942	\$ 46,766
2120 Other current liabilities	-	-	-
2160 Accrued wages payable	858	71,438	28,836
2170 Due to other funds	14,699	1,005,654	355,313
2180 Due to other governments	-	225	-
2300 Unearned revenues	-	-	-
Total liabilities	<u>16,479</u>	<u>1,421,259</u>	<u>430,915</u>
Fund Balances			
Restricted fund balance:			
3470 Capital acquisition and contractual obligation	-	-	-
Committed fund balance:			
3545 Other committed fund balance	-	-	-
3000 Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total liabilities and fund balances	<u>\$ 16,479</u>	<u>\$ 1,421,259</u>	<u>\$ 430,915</u>

225	242	244	255	263	265
IDEA, Part B Preschool	Summer Feeding Program - Texas Department of Agriculture	Career and Technical, Basic Grant	ESSA, Title II, Part A - Teacher and Principal Training and Recruiting	ESSA, Title III, Part A - English Language Acquisition and Enhancement	ESSA, Title IV, Part B - 21st Century Community Learning Centers
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	562,527	29,574	52,465	22,122	26,712
-	34,561	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 597,088</u>	<u>\$ 29,574</u>	<u>\$ 52,465</u>	<u>\$ 22,122</u>	<u>\$ 26,712</u>
\$ -	\$ 1,479	\$ -	\$ 7,298	\$ 860	\$ -
-	-	-	-	-	-
-	35,575	4,142	4,141	2,939	2,819
-	-	17,998	41,026	18,323	23,028
-	-	7,434	-	-	865
-	560,034	-	-	-	-
<u>-</u>	<u>597,088</u>	<u>29,574</u>	<u>52,465</u>	<u>22,122</u>	<u>26,712</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 597,088</u>	<u>\$ 29,574</u>	<u>\$ 52,465</u>	<u>\$ 22,122</u>	<u>\$ 26,712</u>

Waco Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2020

Data Control Codes	276	289	315
	ESSA, Title I, School Improvement Program Academy Grant	Other Federally Funded Special Revenue Funds	Shared Services Arrangements - IDEA, Part B, Discretionary
Assets			
1110	\$ -	\$ -	\$ -
1240	139,486	190,755	-
1260	-	-	-
1290	-	-	-
Total assets	<u>\$ 139,486</u>	<u>\$ 190,755</u>	<u>\$ -</u>
Liabilities			
2110	\$ 6,650	\$ 116,479	\$ -
2120	-	-	-
2160	1,476	6,863	-
2170	131,360	51,929	-
2180	-	-	-
2300	-	15,484	-
Total liabilities	<u>139,486</u>	<u>190,755</u>	<u>-</u>
Fund Balances			
Restricted fund balance:			
3470	-	-	-
Committed fund balance:			
3545	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 139,486</u>	<u>\$ 190,755</u>	<u>\$ -</u>

397	410	427	429	435	446
Advanced Placement Incentives	State Instructional Materials Fund	Texas Workforce Commission Apprenticeship Training	Other State Funded Special Revenue Funds	Shared Services Arrangements - Regional Day School for the Deaf	Shared Services Arrangements - McLennan County Challenge Academy
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	317,353	-	22,403	8,417	14,320
24,045	750,009	20,621	-	-	275,892
-	-	13,187	-	-	-
<u>\$ 24,045</u>	<u>\$ 1,067,362</u>	<u>\$ 33,808</u>	<u>\$ 22,403</u>	<u>\$ 8,417</u>	<u>\$ 290,212</u>
\$ -	\$ 762,296	\$ 391	\$ 6,535	\$ -	\$ 169
-	-	-	-	-	-
-	-	1,622	-	939	8,200
-	-	-	10,659	7,478	-
-	-	-	-	-	-
24,045	305,066	31,795	5,209	-	281,843
<u>24,045</u>	<u>1,067,362</u>	<u>33,808</u>	<u>22,403</u>	<u>8,417</u>	<u>290,212</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 24,045</u>	<u>\$ 1,067,362</u>	<u>\$ 33,808</u>	<u>\$ 22,403</u>	<u>\$ 8,417</u>	<u>\$ 290,212</u>

Waco Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2020

Data Control Codes	458	461	487
	Shared Services Arrangements - Regional Day School for the Deaf Local Funds	Campus Activity Funds	Waco ISD Education Foundation Grants
Assets			
1110 Cash and cash equivalents	\$ -	\$ 829,716	\$ -
1240 Receivables from other governments	3,628	-	-
1260 Due from other funds	1,071	-	-
1290 Other receivables	-	-	105,060
Total assets	<u>\$ 4,699</u>	<u>\$ 829,716</u>	<u>\$ 105,060</u>
Liabilities			
2110 Accounts payable	\$ -	\$ 27,887	\$ 10,346
2120 Other current liabilities	-	-	-
2160 Accrued wages payable	4,699	-	-
2170 Due to other funds	-	129,249	94,714
2180 Due to other governments	-	-	-
2300 Unearned revenues	-	-	-
Total liabilities	<u>4,699</u>	<u>157,136</u>	<u>105,060</u>
Fund Balances			
Restricted fund balance:			
3470 Capital acquisition and contractual obligation	-	-	-
Committed fund balance:			
3545 Other committed fund balance	-	672,580	-
3000 Total fund balances	<u>-</u>	<u>672,580</u>	<u>-</u>
4000 Total liabilities and fund balances	<u>\$ 4,699</u>	<u>\$ 829,716</u>	<u>\$ 105,060</u>

492	497	499			
Baylor University Professional Development Grant	Greater Waco Advanced Academies Fund	Other Locally Funded Special Revenue Funds	Total Nonmajor Special Revenue Funds	699 Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 829,716	\$ -	\$ 829,716
-	-	-	3,258,415	-	3,258,415
20,932	76,245	193,086	1,396,462	46,596	1,443,058
765	816	-	119,828	-	119,828
<u>\$ 21,697</u>	<u>\$ 77,061</u>	<u>\$ 193,086</u>	<u>\$ 5,604,421</u>	<u>\$ 46,596</u>	<u>\$ 5,651,017</u>
\$ 20,805	\$ 49,305	\$ 2,784	\$ 1,404,914	\$ -	\$ 1,404,914
-	-	-	-	45,030	45,030
892	27,756	806	204,001	-	204,001
-	-	-	1,901,430	-	1,901,430
-	-	-	8,524	-	8,524
-	-	189,496	1,412,972	-	1,412,972
<u>21,697</u>	<u>77,061</u>	<u>193,086</u>	<u>4,931,841</u>	<u>45,030</u>	<u>4,976,871</u>
-	-	-	-	1,566	1,566
-	-	-	672,580	-	672,580
-	-	-	672,580	1,566	674,146
<u>\$ 21,697</u>	<u>\$ 77,061</u>	<u>\$ 193,086</u>	<u>\$ 5,604,421</u>	<u>\$ 46,596</u>	<u>\$ 5,651,017</u>

Waco Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended August 31, 2020

Data Control Codes	206	211	224
	ESSA, Title X, Part C - Education of Homeless Children and Youth	ESSA, Title I, Part A - Improving Basic Programs	IDEA, Part B Formula
Revenues			
5700 Local and intermediate sources	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-
5900 Federal program revenues	104,254	7,617,054	3,045,156
5020 Total revenues	<u>104,254</u>	<u>7,617,054</u>	<u>3,045,156</u>
Expenditures			
Current:			
0011 Instruction	7,908	2,893,315	1,697,038
0012 Instructional resources and media services	-	-	-
0013 Curriculum and instructional staff development	-	2,740,597	8,496
0021 Instructional leadership	15,121	659,825	48,932
0023 School leadership	-	419,591	-
0031 Guidance, counseling, and evaluation services services	-	1,452	1,290,690
0032 Social work services	81,225	203,512	-
0033 Health services	-	3,179	-
0035 Food services	-	-	-
0036 Extracurricular activities	-	5,357	-
0041 General administration	-	13,317	-
0051 Plant maintenance and operations	-	-	-
0052 Security and monitoring services	-	130	-
0053 Data processing services	-	-	-
0061 Community services	-	676,779	-
Intergovernmental:			
0093 Payments to fiscal agent/member districts of shared services arrangements	-	-	-
6030 Total expenditures	<u>104,254</u>	<u>7,617,054</u>	<u>3,045,156</u>
1100 Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)			
7915 Transfers in	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net change in fund balances	-	-	-
0100 Fund balances, beginning	-	-	-
3000 Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

225	242	244	255	263	265
IDEA, Part B Preschool	Summer Feeding Program - Texas Department of Agriculture	Career and Technical, Basic Grant	ESSA, Title II, Part A - Teacher and Principal Training and Recruiting	ESSA, Title III, Part A - English Language Acquisition and Enhancement	ESSA, Title IV, Part B - 21st Century Community Learning Centers
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
22,429	1,225,172	207,078	442,237	247,069	212,537
<u>22,429</u>	<u>1,225,172</u>	<u>207,078</u>	<u>442,237</u>	<u>247,069</u>	<u>212,537</u>
22,429	-	1,959	-	236,720	-
-	-	-	-	-	-
-	-	205,119	395,290	10,349	-
-	-	-	46,947	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,225,172	-	-	-	-
-	-	-	-	-	212,537
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>22,429</u>	<u>1,225,172</u>	<u>207,078</u>	<u>442,237</u>	<u>247,069</u>	<u>212,537</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Waco Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended August 31, 2020

Data Control Codes	276	289	315
	ESSA, Title I, School Improvement Program Academy Grant	Other Federally Funded Special Revenue Funds	Shared Services Arrangements - IDEA, Part B, Discretionary
Revenues			
5700	\$ -	\$ -	\$ -
5800	-	-	-
5900	888,236	325,850	32,322
5020	<u>888,236</u>	<u>325,850</u>	<u>32,322</u>
Expenditures			
Current:			
0011	314,849	28,107	32,322
0012	14,086	-	-
0013	-	-	-
	development	280,347	-
0021	204,014	757	-
0023	10,276	-	-
0031	-	180	-
0032	64,965	-	-
0033	169	-	-
0035	-	-	-
0036	140,855	-	-
0041	-	-	-
0051	-	-	-
0052	-	16,459	-
0053	18,144	-	-
0061	-	-	-
Intergovernmental:			
0093	-	-	-
	Payments to fiscal agent/member districts	-	-
	of shared services arrangements	-	-
6030	<u>888,236</u>	<u>325,850</u>	<u>32,322</u>
1100	-	-	-
	Excess (deficiency) of revenues over	-	-
	(under) expenditures	-	-
Other Financing Sources (Uses)			
7915	-	-	-
	Transfers in	-	-
	Total other financing sources (uses)	-	-
1200	-	-	-
	Net change in fund balances	-	-
100	-	-	-
	Fund balances, beginning	-	-
3000	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Fund balances, ending	-	-

397	410	427	429	435	446
Advanced Placement Incentives	State Instructional Materials Fund	Texas Workforce Commission Apprenticeship Training	Other State Funded Special Revenue Funds	Shared Services Arrangements - Regional Day School for the Deaf	Shared Services Arrangements - McLennan County Challenge Academy
\$ -	\$ 91,607	\$ 93,543	\$ -	\$ -	\$ 743,548
-	2,468,962	4,275	42,563	113,058	85,239
-	-	-	-	-	-
-	2,560,569	97,818	42,563	113,058	828,787
-	2,560,569	-	350	113,058	468,926
-	-	-	-	-	-
-	-	-	3,650	-	-
-	-	-	-	-	-
-	-	-	-	-	203,954
-	-	-	-	-	67,071
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	38,563	-	-
-	-	-	-	-	-
-	-	-	-	-	4,891
-	-	4,275	-	-	-
-	-	-	-	-	-
-	-	93,543	-	-	-
-	-	-	-	-	83,945
-	2,560,569	97,818	42,563	113,058	828,787
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Waco Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended August 31, 2020

Data Control Codes	458	461	487
	Shared Services Arrangements - Regional Day School for the Deaf Local Funds	Campus Activity Funds	Waco ISD Education Foundation Grants
Revenues			
5700 Local and intermediate sources	\$ 705,527	\$ 469,087	\$ 81,054
5800 State program revenues	-	-	-
5900 Federal program revenues	-	-	-
5020 Total revenues	<u>705,527</u>	<u>469,087</u>	<u>81,054</u>
Expenditures			
Current:			
0011 Instruction	1,036,494	143,999	81,054
0012 Instructional resources and media services	-	25,521	-
0013 Curriculum and instructional staff development	291	718	-
0021 Instructional leadership	39,177	-	-
0023 School leadership	-	8,201	-
0031 Guidance, counseling, and evaluation services services	-	-	-
0032 Social work services	-	690	-
0033 Health services	-	-	-
0035 Food services	-	-	-
0036 Extracurricular activities	-	259,757	-
0041 General administration	-	-	-
0051 Plant maintenance and operations	-	83	-
0052 Security and monitoring services	-	375	-
0053 Data processing services	-	-	-
0061 Community services	-	-	-
Intergovernmental:			
0093 Payments to fiscal agent/member districts of shared services arrangements	-	-	-
6030 Total expenditures	<u>1,075,962</u>	<u>439,344</u>	<u>81,054</u>
1100 Excess (deficiency) of revenues over (under) expenditures	<u>(370,435)</u>	<u>29,743</u>	<u>-</u>
Other Financing Sources (Uses)			
7915 Transfers in	<u>370,435</u>	-	-
Total other financing sources (uses)	<u>370,435</u>	-	-
1200 Net change in fund balances	-	29,743	-
100 Fund balances, beginning	-	642,837	-
3000 Fund balances, ending	<u>\$ -</u>	<u>\$ 672,580</u>	<u>\$ -</u>

492	497	499			699		
Baylor University Professional Development Grant	Greater Waco Advanced Academies Fund	Other Locally Funded Special Revenue Funds	Total Nonmajor Special Revenue Funds		Capital Projects Funds	Total Nonmajor Governmental Funds	
\$ 100,362	\$ 2,109,770	\$ 130,651	\$ 4,525,149		\$ 4,970	\$ 4,530,119	
-	112,368	-	2,826,465		-	2,826,465	
-	-	-	14,369,394		-	14,369,394	
<u>100,362</u>	<u>2,222,138</u>	<u>130,651</u>	<u>21,721,008</u>		<u>4,970</u>	<u>21,725,978</u>	
-	1,783,964	75,000	11,498,061		-	11,498,061	
-	-	-	39,607		-	39,607	
100,362	5,079	3,216	3,874,392		-	3,874,392	
-	299,280	-	1,314,053		-	1,314,053	
-	1,008	65	643,095		-	643,095	
-	242,322	-	1,601,715		-	1,601,715	
-	-	-	350,392		-	350,392	
-	-	20,002	23,350		-	23,350	
-	-	-	1,225,172		-	1,225,172	
-	-	30,204	687,273		-	687,273	
-	-	-	13,317		-	13,317	
-	175,618	-	180,592		3,404	183,996	
-	-	-	21,239		-	21,239	
-	-	-	18,144		-	18,144	
-	-	2,164	772,486		-	772,486	
-	-	-	83,945		-	83,945	
<u>100,362</u>	<u>2,507,271</u>	<u>130,651</u>	<u>22,346,833</u>		<u>3,404</u>	<u>22,350,237</u>	
-	(285,133)	-	(625,825)		1,566	(624,259)	
-	285,133	-	655,568		-	655,568	
-	285,133	-	655,568		-	655,568	
-	-	-	29,743		1,566	31,309	
-	-	-	642,837		-	642,837	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 672,580</u>		<u>\$ 1,566</u>	<u>\$ 674,146</u>	

(This page intentionally left blank)

Texas Education Agency Required Schedules

Waco Independent School District
Schedule of Delinquent Taxes Receivable
For the Year Ended August 31, 2020

Last Ten Years Ended August 31,	1		2	3
	Tax Rates		Debt Service	Assessed Appraised Value For School Tax Purposes
	Maintenance & Operations			
2011 and prior years	Various	Various	Various	Various
2012	\$ 1.04000	\$ 0.32100	\$ 3,939,084,113	
2013	1.04000	0.31518	4,040,822,252	
2014	1.04000	0.31480	4,096,674,417	
2015	1.04000	0.31324	4,212,595,871	
2016	1.17000	0.23000	4,600,827,921	
2017	1.17000	0.23000	5,053,462,320	
2018	1.17000	0.24000	5,220,581,465	
2019	1.17000	0.23408	5,822,476,266	
2020 (school year under audit)	1.06835	0.23410	6,271,959,413	
100 Totals				

9000 Taxes paid into Tax Increment Financing Zone under Chapter 311,
Tax Code, included in above totals

10	20	31	32	40	50
Balance September 1, 2019	Current Year's Total Levy	Total Collections		Entire Year's Adjustments	Balance August 31, 2020
		Maintenance & Operations	Debt Service		
\$ 600,691	\$ -	\$ 12,049	\$ 2,542	\$ (8,827)	\$ 577,273
141,071	-	3,029	935	(675)	136,432
134,636	-	7,439	2,254	(454)	124,489
156,879	-	12,651	3,829	(633)	139,766
175,185	-	(1,646)	(496)	(21,466)	155,861
190,520	-	2,158	424	(29,266)	158,672
241,050	-	17,234	3,388	(28,763)	191,665
419,464	-	73,723	15,123	(50,618)	280,000
1,868,207	-	734,344	146,919	(452,110)	534,834
-	81,689,135	67,218,598	14,729,138	1,735,018	1,476,417
<u>\$ 3,927,703</u>	<u>\$ 81,689,135</u>	<u>\$ 68,079,579</u>	<u>\$ 14,904,056</u>	<u>\$ 1,142,206</u>	<u>\$ 3,775,409</u>
		<u>\$ 5,501,044</u>	<u>\$ 1,205,398</u>		

Waco Independent School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Debt Service Fund
For the Year Ended August 31, 2020

Exhibit J-2

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variances With Final Budget
		Original	Final		
		Revenues			
5700	Local and intermediate sources	\$ 15,584,001	\$ 15,324,422	\$ 15,169,970	\$ (154,452)
5800	State program revenues	-	335,579	309,070	(26,509)
5020	Total revenues	<u>15,584,001</u>	<u>15,660,001</u>	<u>15,479,040</u>	<u>(180,961)</u>
Expenditures					
Debt service:					
0071	Principal on long-term debt	7,120,000	6,990,000	6,990,000	-
0072	Interest on long-term debt	7,210,063	7,340,063	7,334,155	5,908
0073	Bond issuance cost and fees	10,000	16,000	15,812	188
Intergovernmental:					
0097	Payments to tax increment fund	<u>1,173,006</u>	<u>1,243,006</u>	<u>1,205,398</u>	<u>37,608</u>
6030	Total expenditures	<u>15,513,069</u>	<u>15,589,069</u>	<u>15,545,365</u>	<u>43,704</u>
1200	Net change in fund balance	70,932	70,932	(66,325)	(137,257)
0100	Fund balance, beginning	<u>3,810,796</u>	<u>4,057,107</u>	<u>4,057,107</u>	-
3000	Fund balance, ending	<u>\$ 3,881,728</u>	<u>\$ 4,128,039</u>	<u>\$ 3,990,782</u>	<u>\$ (137,257)</u>

**Statistical Section
(Unaudited)**

(This page intentionally left blank)

Statistical Section (Unaudited)

Statistical Tables are used to provide detailed information on the physical, economic, social and political characteristics of a government. They are intended to provide financial report users with a broader and more complete understanding of the government and its financial affairs than is possible from the basic financial statements.

The District's Statistical Tables usually cover ten fiscal years and often present data from outside the accounting records. The tables are unaudited due to the nature of the information contained therein.

Page

Financial Trends

116

These schedules contain trend information to assist in understanding how the District's financial performance and position have changed over time.

Revenue Capacity

126

These schedules contain information to help the reader assess one of the government's most significant local revenue source, property taxes.

Debt Capacity

136

These schedules present information to help the reader assess the affordability of the District's current debt burden and its ability to issue additional debt in the future.

Demographic and Economic Information

142

These schedules offer demographic and economic indicators to aid in understanding the socioeconomic environment in which the District operates and to facilitate comparisons over time.

Operating Information

148

These schedules contain information about the District's operations and resources to assist in using the financial statement information to better understand and assess the District's economic condition.

Waco Independent School District
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2020</u>	<u>2019</u>	<u>2018³</u>	<u>2017</u>
Governmental activities				
Net investment in capital assets	\$ 32,029,477	\$ 29,669,042	\$ 29,990,868	\$ 28,540,181
Restricted for debt service	3,774,583	3,177,092	3,154,115	1,906,582
Restricted for federal and state programs	3,092,933	3,822,443	2,806,177	2,251,264
Unrestricted	<u>(57,017,617)</u>	<u>(54,192,366)</u>	<u>(57,388,891)</u>	<u>26,606,549</u>
Total governmental activities net assets	<u>(18,120,624)</u>	<u>(17,523,789)</u>	<u>(21,437,731)</u>	<u>59,304,576</u>
Business-type activities ¹				
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Primary government				
Net investment in capital assets	32,029,477	30,583,174	29,990,868	28,540,181
Restricted for federal and state programs	3,774,583	3,822,443	2,806,177	2,251,264
Restricted for debt service	3,092,933	3,177,092	3,154,115	1,906,582
Unrestricted	<u>(57,017,617)</u>	<u>(54,192,366)</u>	<u>(57,388,891)</u>	<u>26,606,549</u>
Total primary government activities net position	<u>\$ (18,120,624)</u>	<u>\$ (16,609,657)</u>	<u>\$ (21,437,731)</u>	<u>\$ 59,304,576</u>

Source: District Financial Statements

¹ The District operated an employee day-care center during fiscal years 2010 through 2012. The center was closed in June 2012 due to lack of participation.

² The District adopted Governmental Accounting Standards Board Statement No. 68 for the year ended August 31, 2015, recognizing the District's proportionate share of net pension liability for the Texas Teachers' Retirement System. Prior periods have not been restated.

³ The District adopted Governmental Accounting Standards Board Statement No. 75 for the year ended August 31, 2018, recognizing the District's proportionate share of the TRS-Care net OPEB liability. As a result of significant changes in the plan, the District recorded negative on behalf revenues and expenses in the amount of \$29.5 million within the operating grants and contributions and \$43.7 million in functional expense categories. Prior periods have not been restated.

Table 1

<u>2016</u>	<u>2015²</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 26,434,432	\$ 28,878,748	\$ 28,036,887	\$ 29,784,107	\$ 23,918,311	\$ 25,914,119
1,840,786	-	2,289,616	2,187,110	2,188,527	1,399,335
1,728,453	1,419,771	1,407,414	1,482,934	1,489,347	1,021,690
<u>30,355,750</u>	<u>30,160,328</u>	<u>42,920,323</u>	<u>34,723,690</u>	<u>36,439,208</u>	<u>31,743,608</u>
<u>60,359,421</u>	<u>60,458,847</u>	<u>74,654,240</u>	<u>68,177,841</u>	<u>64,035,393</u>	<u>60,078,752</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(269,611)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(269,611)</u>
26,434,432	28,878,748	28,036,887	29,784,107	23,918,311	25,914,119
1,728,453	1,419,771	1,407,414	1,482,934	1,489,347	1,021,690
1,840,786	-	2,289,616	2,187,110	2,188,527	1,399,335
<u>30,355,750</u>	<u>30,160,328</u>	<u>42,920,323</u>	<u>34,723,690</u>	<u>36,439,208</u>	<u>31,473,997</u>
<u>\$ 60,359,421</u>	<u>\$ 60,458,847</u>	<u>\$ 74,654,240</u>	<u>\$ 68,177,841</u>	<u>\$ 64,035,393</u>	<u>\$ 59,809,141</u>

Waco Independent School District
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2020	2019	2018 ³	2017
Expenses				
Governmental activities:				
Instruction	\$105,111,083	\$ 97,204,175	\$ 63,778,397	\$ 92,410,667
Instructional resource and media services	1,230,515	1,145,653	951,999	1,121,495
Curriculum and instructional staff development	10,385,500	8,191,863	4,118,181	8,340,412
Instructional leadership	5,641,079	5,279,944	2,420,981	4,335,621
School leadership	11,178,027	10,762,453	6,657,882	9,845,156
Guidance, counseling, and evaluation services	6,903,962	5,935,365	3,202,513	5,574,333
Social work services	1,183,436	1,176,663	700,617	941,636
Health services	1,532,816	1,289,858	825,391	1,177,356
Student transportation	3,155,808	3,164,818	3,177,773	2,956,595
Food services	11,404,285	11,095,518	8,678,763	10,769,354
Extracurricular activities	6,059,245	5,693,948	4,374,793	5,449,388
General administration	5,671,606	4,935,156	3,738,000	5,232,469
Plant maintenance and operations	17,657,184	15,921,753	15,301,105	18,573,874
Security and monitoring services	2,316,628	2,550,677	1,875,149	2,095,530
Data processing services	4,561,909	4,025,862	2,548,797	2,981,430
Community services	1,669,506	1,883,438	1,037,951	1,306,982
Interest on long-term debt	6,297,691	6,525,159	6,709,165	6,927,718
Bond issuance cost and fees	15,812	5,650	6,700	6,700
Facilities acquisition, improvements and construction	-	116,177	1,145	-
Payments to fiscal agents/member districts of shared services arrangements	423,945	749,055	556,613	522,174
Payments related to Juvenile Justice Alternative Education Program	646,950	514,035	456,901	558,366
Payments to tax increment zones	8,000,245	7,850,239	6,968,873	5,616,835
Other intergovernmental charges	755,302	839,620	832,723	711,202
Total governmental activities expenses	<u>211,802,534</u>	<u>196,857,079</u>	<u>138,920,412</u>	<u>187,455,293</u>
Business-type activities:				
Enterprise fund - Childcare Center ¹	-	-	-	-
Total business-type activities expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>211,802,534</u>	<u>196,857,079</u>	<u>138,920,412</u>	<u>187,455,293</u>
Program revenues				
Governmental activities:				
Charges for services:				
Instruction	2,863,604	2,942,550	2,616,206	2,245,294
Food services	350,362	568,314	632,980	734,826
Extracurricular activities	508,589	813,046	1,054,949	960,344
General administration	86,763	190,180	216,287	
Plant maintenance and operations	320,540	365,233	389,512	388,975
Community services	103,496	164,712	146,170	139,676
Other activities	1,018,627	792,380	651,011	1,232,811
Operating grants and contributions	45,063,392	43,276,111	9,980,612	40,212,598
Total governmental activities program revenues	<u>50,315,373</u>	<u>49,112,526</u>	<u>15,687,727</u>	<u>45,914,524</u>

Table 2

2016	2015 ²	2014	2013	2012	2011
\$ 88,611,062	\$ 77,681,640	\$ 69,789,327	\$ 70,548,505	\$ 69,553,287	\$ 76,640,320
1,196,338	1,124,801	1,135,530	1,040,805	1,171,223	1,255,640
7,509,106	6,947,353	6,173,202	6,884,856	7,162,676	6,151,716
4,392,247	3,677,116	3,318,806	2,693,158	2,715,340	2,378,751
9,978,219	9,115,358	8,738,412	8,310,370	8,442,081	8,751,249
5,144,364	4,648,929	4,219,053	4,169,755	3,950,581	4,362,036
1,417,893	1,031,823	902,610	362,398	620,481	816,502
1,216,958	1,102,805	1,033,294	948,578	1,101,021	1,174,658
2,860,485	2,693,602	3,138,533	3,080,299	2,985,457	2,998,759
10,492,347	10,019,785	10,146,039	10,231,923	9,809,566	9,386,899
5,051,637	4,653,098	4,324,813	4,544,834	3,873,666	3,822,090
4,984,938	4,179,447	4,409,243	3,840,553	3,544,327	3,446,312
18,452,585	17,352,111	14,670,240	14,898,553	14,953,331	15,284,945
2,222,486	2,070,750	1,790,388	1,920,229	1,578,323	1,876,331
3,045,119	3,411,040	2,692,333	2,358,120	3,047,696	4,249,789
1,152,542	1,215,064	2,187,539	1,653,751	1,687,808	2,530,039
6,474,116	7,503,739	9,251,908	9,589,096	10,526,975	10,167,623
514,954	1,075,983	5,050	158,974	7,050	9,100
-	160,135	1,996,941	2,205,186	2,578,887	780,280
520,899	409,664	242,077	156,879	186,303	198,462
410,518	360,740	422,845	556,650	491,733	640,408
4,214,674	3,534,625	3,061,499	3,393,153	2,839,129	2,594,257
701,349	727,905	616,522	597,698	583,310	606,403
<u>180,564,836</u>	<u>164,697,513</u>	<u>154,266,204</u>	<u>154,144,323</u>	<u>153,410,251</u>	<u>160,122,569</u>
-	-	-	-	224,795	230,474
-	-	-	-	224,795	230,474
<u>180,564,836</u>	<u>164,697,513</u>	<u>154,266,204</u>	<u>154,144,323</u>	<u>153,635,046</u>	<u>160,353,043</u>
1,719,516	1,448,081	1,016,740	1,014,343	750,855	1,120,182
688,102	698,505	692,221	748,295	802,859	767,451
992,762	878,815	993,237	794,470	447,352	565,971
366,705	243,895	368,157	107,856	107,162	132,545
110,757	112,199	111,084	130,337	-	414,565
788,737	745,053	490,417	580,462	459,640	469,655
<u>41,546,587</u>	<u>40,689,915</u>	<u>35,356,370</u>	<u>36,972,531</u>	<u>40,923,694</u>	<u>45,889,669</u>
<u>46,213,166</u>	<u>44,816,463</u>	<u>39,028,226</u>	<u>40,348,294</u>	<u>43,491,562</u>	<u>49,360,038</u>

Waco Independent School District
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2020	2019	2018 ³	2017
Business-type activities:				
Charges for services	-	-	-	-
Operating grants and contributions	-	-	-	-
Total business-type activities program revenues	-	-	-	-
Total program revenues	<u>50,315,373</u>	<u>49,112,526</u>	<u>15,687,727</u>	<u>45,914,524</u>
Net (expense)/revenue				
Governmental activities	(161,487,161)	(147,744,553)	(123,232,685)	(141,540,769)
Business-type activity	-	-	-	-
Total net expense	<u>(161,487,161)</u>	<u>(147,744,553)</u>	<u>(123,232,685)</u>	<u>(141,540,769)</u>
General revenues				
Governmental activities:				
Property taxes, levied for general purposes	67,873,571	69,781,667	64,060,469	58,783,113
Property taxes, levied for debt service	14,883,194	13,941,068	13,139,700	11,592,463
Grants and contributions not restricted	76,390,346	65,405,082	64,950,166	68,772,790
Unrestricted investment earnings	995,027	1,633,709	1,072,854	524,447
Miscellaneous	911,362	883,453	828,848	768,018
Gain (loss) on sales of capital assets	(163,174)	13,516	33,013	45,093
Transfers in/out	-	-	-	-
Special Item	-	-	-	-
Total general revenues, transfers, and special item	<u>160,890,326</u>	<u>151,658,495</u>	<u>144,085,050</u>	<u>140,485,924</u>
Business-type activities:				
Transfers in/out	-	-	-	-
Total business-type activities	-	-	-	-
Total primary government	<u>160,890,326</u>	<u>151,658,495</u>	<u>144,085,050</u>	<u>140,485,924</u>
Change in net position:				
Governmental activities	(596,835)	3,913,942	20,852,365	(1,054,845)
Business-type activities	-	-	-	-
Total change in net position	<u>\$ (596,835)</u>	<u>\$ 3,913,942</u>	<u>\$ 20,852,365</u>	<u>\$ (1,054,845)</u>

Source: District Financial Statements

¹ The District operated an employee day-care center during fiscal years 2010 through 2012. The center was closed in June 2012 due to lack of participation.

² The District adopted Governmental Accounting Standards Board Statement No. 68 for the year ended August 31, 2015, recognizing the District's proportionate share of net pension liability for the Texas Teachers' Retirement System. Prior periods have not been restated.

³ The District adopted Governmental Accounting Standards Board Statement No. 75 for the year ended August 31, 2018, recognizing the District's proportionate share of the TRS-Care net OPEB liability. As a result of significant changes in the plan, the District recorded negative on behalf revenues and expenses in the amount of \$29.5 million within the operating grants and contributions and \$43.7 million in functional expense categories. Prior periods have not been restated.

2016	2015 ²	2014	2013	2012	2011
-	-	-	-	117,808	44,061
-	-	-	-	-	-
-	-	-	-	117,808	44,061
46,213,166	44,816,463	39,028,226	40,348,294	43,609,370	49,404,099
(134,351,670)	(119,881,050)	(115,237,978)	(113,796,029)	(109,918,689)	(110,762,531)
-	-	-	-	(106,987)	(186,413)
(134,351,670)	(119,881,050)	(115,237,978)	(113,796,029)	(110,025,676)	(110,948,944)
52,444,091	45,214,877	42,790,674	41,675,687	39,895,625	39,376,307
10,329,819	13,589,549	12,928,067	12,568,812	12,349,724	12,288,874
70,471,901	65,525,694	62,882,914	61,632,137	61,305,521	60,642,343
244,394	88,831	119,105	150,235	196,319	787,439
708,154	818,949	702,540	873,017	651,999	731,397
53,885	(1,054,382)	2,291,077	612,687	630,002	169,228
-	15,000	-	-	(376,598)	-
-	-	-	-	(777,262)	-
134,252,244	124,198,518	121,714,377	117,512,575	113,875,330	113,995,588
-	-	-	-	376,598	-
-	-	-	-	376,598	-
134,252,244	124,198,518	121,714,377	117,512,575	114,251,928	113,995,588
(99,426)	4,317,468	6,476,399	3,716,546	3,956,641	3,233,057
-	-	-	-	269,611	(186,413)
\$ (99,426)	\$ 4,317,468	\$ 6,476,399	\$ 3,716,546	\$ 4,226,252	\$ 3,046,644

Waco Independent School District
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
General fund				
Nonspendable	\$ 1,179,204	\$ 412,344	\$ 680,007	\$ 684,300
Committed	3,369,656	3,002,885	1,273,469	3,487,432
Assigned	-	-	299,723	1,485,130
Restricted	2,123,100	1,110,137	-	-
Unassigned	<u>46,008,487</u>	<u>44,712,941</u>	<u>41,768,477</u>	<u>39,165,626</u>
Total general fund	<u>\$ 52,680,447</u>	<u>\$ 49,238,307</u>	<u>\$ 44,021,676</u>	<u>\$ 44,822,488</u>
All other governmental funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Capital projects	1,566	-	443,939	845,439
Debt service	3,990,782	4,057,107	3,911,753	4,653,605
Federal and state programs	3,092,933	3,822,443	2,806,177	2,251,264
Assigned	-	642,837	-	-
Committed	<u>672,580</u>	<u>-</u>	<u>639,941</u>	<u>548,488</u>
Total all other governmental funds	<u>\$ 7,757,861</u>	<u>\$ 8,522,387</u>	<u>\$ 7,801,810</u>	<u>\$ 8,298,796</u>

Source: District Financial Statements

Table 3

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 196,803	\$ 239,129	\$ 214,094	\$ 221,831	\$ 339,670	\$ 210,959
5,448,732	4,878,618	2,812,330	1,668,158	3,755,906	2,228,226
1,235,550	1,118,207	668,770	1,355,548	1,039,848	499,468
-	-	-	-	-	-
<u>39,036,156</u>	<u>36,747,458</u>	<u>36,742,623</u>	<u>29,668,401</u>	<u>29,770,570</u>	<u>27,424,965</u>
<u>\$ 45,917,241</u>	<u>\$ 42,983,412</u>	<u>\$ 40,437,817</u>	<u>\$ 32,913,938</u>	<u>\$ 34,905,994</u>	<u>\$ 30,363,618</u>
\$ -	\$ 142,981	\$ 151,073	\$ 150,453	\$ 178,641	\$ 257,488
1,243,250	2,025,445	2,732,183	3,296,127	7,799,994	28,150,212
4,646,144	4,627,553	3,626,685	3,476,956	3,119,528	2,356,500
1,728,453	1,419,771	1,256,341	1,332,481	1,310,706	764,202
-	-	-	-	-	-
<u>456,582</u>	<u>491,049</u>	<u>476,297</u>	<u>417,218</u>	<u>-</u>	<u>-</u>
<u>\$ 8,074,429</u>	<u>\$ 8,706,799</u>	<u>\$ 8,242,579</u>	<u>\$ 8,673,235</u>	<u>\$ 12,408,869</u>	<u>\$ 31,528,402</u>

Waco Independent School District
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2020	2019	2018	2017
Revenues				
Local and intermediate sources	\$ 90,577,649	\$ 93,228,446	\$ 85,458,408	\$ 77,344,586
State program revenues	86,549,457	74,159,070	72,918,940	78,642,333
Federal program revenues	28,739,737	29,090,242	27,467,542	28,926,389
Total revenues	<u>205,866,843</u>	<u>196,477,758</u>	<u>185,844,890</u>	<u>184,913,308</u>
Expenditures				
Current:				
Instruction	\$ 94,728,241	\$ 88,589,322	\$ 85,894,552	\$ 86,373,466
Instructional resources and media services	1,026,404	953,943	943,618	930,660
Curriculum and instructional staff development	8,930,368	7,342,447	7,287,411	7,679,307
Instructional leadership	4,992,117	4,674,887	4,171,826	3,972,383
School leadership	10,432,418	10,226,382	9,769,100	9,521,555
Guidance, counseling, and evaluation services	6,260,709	5,562,522	5,131,429	5,252,786
Social work services	1,055,654	1,096,478	1,089,475	911,831
Health services	1,443,506	1,223,843	1,160,302	1,135,012
Student transportation services	2,648,110	3,344,683	4,703,866	3,201,247
Food services	10,497,220	10,422,650	10,005,654	9,935,592
Extracurricular activities	5,425,492	4,793,853	5,224,859	5,116,060
General administration	5,296,603	4,642,301	4,781,082	5,019,628
Plant maintenance and operations	17,421,238	15,715,345	17,002,432	18,574,278
Security and monitoring services	2,430,928	2,539,398	2,088,241	2,052,257
Data processing services	4,580,566	3,626,750	2,720,092	2,687,285
Community services	1,437,078	1,666,088	1,437,425	1,217,550
Debt service:				
Principal	7,335,001	7,025,000	4,975,000	6,695,000
Interest	7,343,668	6,819,243	8,945,604	7,204,145
Bond issuance cost and fees	15,811	5,650	6,700	6,700
Capital outlay:				
Facilities acquisition and construction	103,970	316,816	1,035,883	937,327
Intergovernmental:				
Payments to fiscal agent/member districts SSA	423,945	749,055	556,613	522,174
Payments to Juvenile Justice Alternative Education Program	646,950	514,035	456,901	558,366
Payments to tax increment zone	8,000,245	7,850,239	6,968,874	5,616,835
Other intergovernmental charges	755,302	839,620	832,723	711,202
Total expenditures	<u>203,231,544</u>	<u>190,540,550</u>	<u>187,189,662</u>	<u>185,832,646</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,635,299</u>	<u>5,937,208</u>	<u>(1,344,772)</u>	<u>(919,338)</u>
Other Financing Sources (Uses)				
Refunding bonds issued	-	-	-	-
Issuance of capital related debt	-	-	-	-
Sale of real and personal property	42,315	-	46,974	48,952
Transfers in	655,868	675,612	800,696	1,543,542
Premium on bonds issued	-	-	-	-
Other sources	-	-	-	-
Transfers out	(655,868)	(675,612)	(800,696)	(1,543,542)
Payment to refunded bond escrow agent	-	-	-	-
Other uses	-	-	-	-
Total other financing sources (uses)	<u>42,315</u>	<u>-</u>	<u>46,974</u>	<u>48,952</u>
Net change in fund balances	<u>\$ 2,677,614</u>	<u>\$ 5,937,208</u>	<u>\$ (1,297,798)</u>	<u>\$ (870,386)</u>
Debt service as a percentage of noncapital expenditures	7.2%	7.3%	7.5%	7.5%

Source: District Financial Statements

Table 4

	2016	2015	2014	2013	2012	2011
\$	69,684,244	\$ 64,420,380	\$ 59,895,256	\$ 59,882,644	\$ 56,258,857	\$ 57,050,481
	80,156,138	74,881,477	72,005,696	71,339,699	72,753,009	71,028,270
	29,186,936	30,879,002	25,785,150	26,293,477	28,920,452	34,969,913
	<u>179,027,318</u>	<u>170,180,859</u>	<u>157,686,102</u>	<u>157,515,820</u>	<u>157,932,318</u>	<u>163,048,664</u>
\$	80,287,130	\$ 73,544,308	\$ 65,773,712	\$ 66,734,401	\$ 66,342,246	\$ 74,634,180
	918,932	871,303	956,203	875,023	1,029,528	1,204,136
	7,220,416	7,090,487	6,158,827	6,881,577	7,171,052	6,147,821
	4,134,042	3,644,096	3,215,002	2,585,326	2,611,125	2,362,380
	9,454,571	9,090,220	8,649,180	8,231,601	8,372,833	8,707,529
	4,900,067	4,710,930	4,192,971	4,146,376	3,933,278	4,349,724
	1,368,352	1,055,551	902,275	362,398	622,450	816,380
	1,132,468	1,081,972	1,008,098	926,641	1,079,048	1,159,691
	2,788,283	2,054,638	2,938,064	2,819,384	2,608,287	2,858,125
	9,995,417	9,694,328	9,768,020	10,229,538	9,553,206	9,191,448
	4,411,489	4,037,392	4,402,364	3,930,221	3,313,797	3,435,169
	4,693,069	4,058,668	4,336,176	3,710,319	3,422,487	3,523,976
	18,051,929	17,544,931	14,623,438	14,722,369	14,883,979	15,319,552
	2,096,265	2,064,819	1,785,731	1,903,102	1,542,511	1,868,029
	3,083,693	3,194,738	2,519,842	2,587,351	3,084,948	4,120,480
	1,103,584	1,205,695	1,056,774	1,601,757	1,637,012	2,510,535
	7,440,001	8,305,002	6,610,000	7,055,000	5,734,917	5,635,075
	7,472,809	7,427,240	9,160,240	9,242,115	10,631,175	10,777,419
	514,954	1,075,983	5,050	158,974	7,050	9,100
	380,248	1,812,997	2,286,048	11,767,501	21,620,447	52,127,607
	520,899	409,664	242,077	156,879	186,303	198,462
	410,518	360,740	422,845	556,650	491,733	640,408
	4,214,674	3,534,625	3,061,499	3,393,153	2,839,129	2,594,257
	701,349	727,905	616,522	597,698	583,310	606,403
	<u>177,295,159</u>	<u>168,598,232</u>	<u>154,690,958</u>	<u>165,175,354</u>	<u>173,301,851</u>	<u>214,797,886</u>
	<u>1,732,159</u>	<u>1,582,627</u>	<u>2,995,144</u>	<u>(7,659,534)</u>	<u>(15,369,533)</u>	<u>(51,749,222)</u>
	47,120,000	106,455,000	-	9,635,000	-	-
	-	-	-	-	-	-
	61,135	331,914	4,098,079	1,307,872	1,418,974	1,645,000
	1,928,616	86,845	110,859	8,946	-	-
	11,068,981	12,852,104	-	856,820	-	-
	-	-	-	32,868	-	39,637
	(1,928,616)	(71,845)	(110,859)	(8,946)	(376,598)	-
	(57,680,816)	(118,226,829)	-	(10,326,616)	-	-
	-	-	-	-	(250,000)	-
	<u>569,300</u>	<u>1,427,189</u>	<u>4,098,079</u>	<u>1,505,944</u>	<u>792,376</u>	<u>1,684,637</u>
\$	<u>2,301,459</u>	<u>\$ 3,009,816</u>	<u>\$ 7,093,223</u>	<u>\$ (6,153,590)</u>	<u>\$ (14,577,157)</u>	<u>\$ (50,064,585)</u>
	8.7%	10.1%	10.4%	10.7%	10.8%	10.1%

Waco Independent School District
Governmental Funds Revenues by Source
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Local sources:				
Property tax	\$ 82,983,635	\$ 84,180,419	\$ 77,206,627	\$ 69,736,942
Other	7,594,014	9,048,027	8,251,781	7,607,644
State sources	86,549,457	74,159,070	72,918,940	78,642,333
Federal sources	<u>28,739,737</u>	<u>29,090,242</u>	<u>27,467,542</u>	<u>28,926,389</u>
	<u>\$205,866,843</u>	<u>\$196,477,758</u>	<u>\$185,844,890</u>	<u>\$184,913,308</u>

Source: District financial records

Table 5

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 63,526,571	\$ 58,960,839	\$ 54,953,317	\$ 54,512,088	\$ 52,371,711	\$ 51,649,553
6,157,673	5,459,541	4,941,939	5,370,556	3,887,146	5,400,928
80,156,138	74,881,477	72,005,696	71,339,699	72,753,009	71,028,270
<u>29,186,936</u>	<u>30,879,002</u>	<u>25,785,150</u>	<u>26,293,477</u>	<u>28,920,452</u>	<u>34,969,913</u>
<u><u>\$179,027,318</u></u>	<u><u>\$170,180,859</u></u>	<u><u>\$157,686,102</u></u>	<u><u>\$157,515,820</u></u>	<u><u>\$157,932,318</u></u>	<u><u>\$163,048,664</u></u>

Waco Independent School District
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended August 31	Actual/Market Value					
	Residential Property	Vacant Platted Land Tracts	Qualified Open-space Land & Improvements	Commercial, Industrial & Manufacturing	Utilities, Railroads, Pipelines, & Cable	Personal Property
2020	\$ 4,179,199,031	\$ 156,206,452	\$ 49,223,644	\$ 1,894,082,174	\$165,747,052	\$ 827,902,260
2019	3,893,676,470	149,909,142	47,818,618	1,823,726,871	154,582,202	770,041,640
2018	3,401,296,575	134,228,013	40,646,325	1,662,661,169	143,541,492	721,815,030
2017	3,080,621,154	148,176,520	43,498,360	1,709,233,080	136,569,492	722,963,570
2016	2,840,220,101	144,596,547	40,626,655	1,522,462,218	138,778,572	674,117,320
2015	2,691,540,650	129,986,073	46,155,651	1,379,418,937	131,555,593	623,482,130
2014	2,593,993,415	122,456,906	41,048,459	1,258,749,636	124,519,073	613,094,240
2013	2,578,235,864	115,931,563	45,688,502	1,246,663,590	118,673,486	616,488,767
2012	2,449,010,180	111,972,934	45,602,268	1,235,104,466	117,597,553	611,187,989
2011	2,445,732,089	108,863,492	44,849,328	1,176,642,467	120,222,481	598,803,015

Source: McLennan County (Texas) Appraisal District provides the District's tax office with appraised values for properties within the District's taxing authority. Actual value equals appraised value. Actual value less productivity losses, homestead cap, and exemptions equals taxable assessed value.

¹ Tax rates are per \$100 of taxable assessed value.

Table 6

Actual/Market Value					
<u>Special Inventory</u>	<u>Totally Exempt Property</u>	<u>Total Actual/Market Value</u>	<u>Exemptions and Cap Adjustments</u>	<u>Total Taxable Assessed Value</u>	<u>Tax Rates¹</u>
\$ 36,746,270	\$ 2,179,434,219	\$ 9,488,541,102	\$ 2,918,766,647	\$ 6,569,774,455	1.30245
32,387,860	2,087,740,084	8,959,882,887	2,859,355,966	6,100,526,921	1.40408
31,985,440	1,962,138,163	8,098,312,207	2,642,332,364	5,455,979,843	1.410000
31,488,290	1,923,755,086	7,796,305,552	2,544,844,885	5,251,460,667	1.400000
33,033,690	1,628,077,631	7,021,912,734	2,257,255,955	4,764,656,779	1.400000
32,493,610	1,289,504,700	6,324,137,344	1,766,101,542	4,558,035,802	1.353240
30,123,160	1,211,753,411	5,995,738,300	1,697,956,759	4,297,781,541	1.354800
25,316,408	1,180,864,751	5,927,862,931	1,674,271,058	4,253,591,873	1.355180
26,052,336	1,079,143,134	5,675,670,860	1,524,330,466	4,151,340,394	1.360998
23,784,654	1,039,326,772	5,558,224,298	1,499,257,345	4,058,966,953	1.364750

Waco Independent School District
Property Tax Rates-Direct and All Overlapping Governments
Last Ten Fiscal Years
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>School District</u>				
Maintenance & Operations	\$ 1.068350	\$ 1.170000	\$ 1.170000	\$ 1.170000
Debt Service	<u>0.234100</u>	<u>0.234080</u>	<u>0.240000</u>	<u>0.230000</u>
Waco ISD Total	1.302450	1.404080	1.410000	1.400000
 <u>County</u>				
McLennan	0.485293	0.485293	0.505293	0.525293
McLennan Community College	0.147696	0.147696	0.150346	0.148898
 <u>City</u>				
Waco	0.776232	0.776232	0.776232	0.776232
Woodway	0.450000	0.450000	0.470000	0.470000
Hewitt	0.539677	0.539677	0.539677	0.539677
Beverly Hills	0.467077	0.484596	0.490145	0.490145
Waco Public Improvement District	0.100000	0.100000	0.100000	0.100000

Source: Municipal Advisory of Texas (Texas MAC), *Overlapping Debt Statement*

Rates are per \$100 of Assessed Valuation

Table 7

2016	2015	2014	2013	2012	2011
\$ 1.170000	\$ 1.040000	\$ 1.040000	\$ 1.040000	\$ 1.040000	\$ 1.040000
<u>0.230000</u>	<u>0.313240</u>	<u>0.314800</u>	<u>0.315180</u>	<u>0.320998</u>	<u>0.324750</u>
1.400000	1.353240	1.354800	1.355180	1.360998	1.364750
0.535293	0.535293	0.535293	0.460573	0.442710	0.442710
0.149724	0.149530	0.151530	0.151530	0.152823	0.156306
0.776232	0.776232	0.776232	0.786232	0.786232	0.786232
0.470000	0.470000	0.456900	0.456900	0.456900	0.457200
0.539677	0.539677	0.539677	0.514977	0.514977	0.499828
0.490145	0.452719	0.403647	0.362501	0.326641	0.329848
0.100000	0.100000	0.100000	-	-	-

Waco Independent School District
Principal Property Tax Payers
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	2020		Percentage of Total Taxable Value ²
	Taxable Assessed Value ¹	Rank	
3503 RP Waco Central LP	\$ 64,500,000	1	0.98%
ONCOR Electric Delivery Co LLC	61,788,231	2	0.94%
Bank of the West-Equipment Leasing	60,634,700	3	0.92%
CD/Park7 Waco Owner LP	55,500,000	4	0.84%
Owens-Brockway Glass Container Inc	51,050,861	5	0.78%
ATMOS Energy/Mid-Tex Distribution	51,046,400	6	0.78%
CBL/Richland Mall LP	46,308,110	7	0.70%
Madison Loft LLC	45,968,230	8	0.70%
Tractor Supply	44,308,251	9	0.67%
Texas Farm Bureau Business Corporation	39,989,120	10	0.61%
Seavest Inc			
Hoppenstein Properties Inc			
Baylor University			
Inland Western Waco Central, L.P.			
Total	<u>\$ 521,093,903</u>		<u>7.93%</u>

Source: McLennan County Tax Office Certified Roll reports

¹ Taxable assessed value equals actual/appraised value after exemptions.

² Taxable assessed value equals: \$ 6,569,774,455

³ Taxable assessed value equals: \$ 4,058,966,953

Table 8

2011		
Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Value ³
38,813,271	4	0.96%
24,837,494	5	0.61%
21,563,302	7	0.53%
40,477,164	3	1.00%
46,051,554	2	1.13%
20,074,076	8	0.49%
23,702,590	6	0.58%
19,767,624	9	0.49%
19,688,607	10	0.49%
50,860,329	1	1.25%
<u>\$ 305,836,011</u>		<u>7.53%</u>

Waco Independent School District
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended August 31,	Total Levy Amount Before Levy Loss, Late AG Penalty and Rendition Penalty	Levy Loss, Late AG Penalty & Rendition Penalty	Tax Office Adjustment	Taxes Levied for the Fiscal Year
2020	\$ 85,568,026	\$ (3,878,891)		\$ 81,689,135
2019	85,656,279	(3,904,054)		81,752,225
2018	76,929,316	(3,299,038)	(20,079)	73,610,199
2017	73,520,449	(2,771,977)		70,748,472
2016	66,705,195	(2,293,604)		64,411,591
2015	61,681,166	(2,704,824)	-	58,976,342
2014	58,226,350	(2,724,605)	-	55,501,745
2013	57,643,826	(2,872,208)	(11,203)	54,760,415
2012	56,499,660	(2,888,803)	-	53,610,857
2011	55,394,751	(3,072,624)	(9,237)	52,312,890

Source: McLennan County Tax Assessor/Collector

Table 9

Collected within the Fiscal Year of the Levy			Total Collections to Date	
Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
\$ 81,947,736	100.32%	\$ 1,035,899	\$ 82,983,635	101.58%
83,362,598	101.97%	817,821	84,180,419	102.97%
76,596,826	104.06%	609,801	77,206,627	104.89%
69,209,687	97.82%	527,254	69,736,941	98.57%
62,798,654	97.50%	727,917	63,526,571	98.63%
57,839,516	98.07%	1,121,323	58,960,839	99.97%
54,159,631	97.58%	793,687	54,953,318	99.01%
53,216,868	97.18%	1,295,220	54,512,088	99.55%
51,660,098	96.36%	711,612	52,371,710	97.69%
50,745,956	97.00%	1,427,369	52,173,325	99.73%

Waco Independent School District
Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended August 31,	Governmental Activities			Total Outstanding Debt
	General	Maintenance	Lease	
	Obligation	Tax	Revenue	
	Bonds	Notes	Bonds	
2020	\$ 141,440,000	\$ -	\$ -	\$ 141,440,000
2019	148,430,000	-	345,000	148,775,000
2018	155,130,000	-	670,000	155,800,000
2017	183,001,730	-	980,000	183,981,730
2016	190,557,149	-	1,270,000	191,827,149
2015	192,761,860	570,000	1,545,000	194,876,860
2014	187,447,193	1,120,000	1,805,000	190,372,193
2013	191,522,353	1,645,000	2,055,000	195,222,353
2012	197,516,714	2,150,000	2,290,000	201,956,714
2011	202,664,007	2,635,000	2,510,000	207,809,007

Source: District's Notes to the Financial Statements

¹ See Assessed Value and Estimated Actual Value of Taxable Property

² See Operating Statistics Table for student enrollment data

Table 10

<u>Ratio of Debt to Taxable Assessed Value¹</u>	<u>Net Debt per Student²</u>
2.15%	\$ 9,493
2.44%	9,984
2.86%	10,511
3.50%	12,200
4.03%	12,835
4.28%	13,011
4.43%	12,782
4.59%	12,826
4.86%	13,175
5.12%	13,578

Waco Independent School District
Ratios of Net General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended August 31,	General Obligation Bonds	Less Amounts Available in Debt Service Fund ¹	Net General Bonded Debt
2020	\$ 141,440,000	\$ 3,990,782	\$ 137,449,218
2019	148,430,000	4,057,107	144,372,893
2018	155,130,000	3,911,753	151,218,247
2017	183,001,730	4,653,605	178,348,125
2016	190,557,149	4,646,144	185,911,005
2015	192,761,860	4,627,553	188,134,307
2014	187,447,193	3,626,685	183,820,508
2013	191,522,353	3,476,956	188,045,397
2012	197,516,714	3,119,528	194,397,186
2011	202,664,007	2,356,500	200,307,507

Source: District's Notes to the Financial Statements

¹ These are the resources restricted for the principal payments of general obligation debt

² See Assessed Value and Estimated Actual Value of Taxable Property schedule

³ See Operating Statistics Table for student enrollment data

Table 11

<u>Ratio of Debt to Taxable Assessed Value²</u>	<u>Net Bonded Debt per Student³</u>
2.09%	\$ 9,225
2.37%	9,689
2.77%	10,202
3.40%	11,826
3.90%	12,439
4.13%	12,561
4.28%	12,342
4.42%	12,354
4.68%	12,682
4.93%	13,088

Waco Independent School District
Direct and Overlapping Governmental Activities Debt
as of August 31, 2020

Taxing Authority	Gross Debt Outstanding	Percent Overlapping ¹
<u>Overlapping</u>		
McLennan County	\$ 52,410,000	37.66%
McLennan Community College	52,080,000	37.66%
City of Waco	491,620,000	63.75%
City of Woodway	14,860,000	8.05%
Subtotal, Overlapping Debt		

Direct

Waco Independent School District

Total Direct and Overlapping Debt

Source: Municipal Advisory of Texas (Texas MAC), *Estimated Overlapping Debt Statement*, as of August 31, 2020

¹ *Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. The percentage of overlapping debt is estimated using taxable assessed property values. Percentages were estimated by determining the portion of the overlapping taxing authorities' taxable assessed value that is within the District's boundaries and dividing it by the overlapping taxing authorities' total taxable assessed value.*

Amount	
Applicable to	
School District	
\$	19,737,606
	19,613,328
	313,407,750
	1,196,230
	<u>353,954,914</u>
	<u>141,440,000</u>
\$	<u><u>495,394,914</u></u>

Waco Independent School District
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	McLennan County Estimated Population ¹	City of Waco Estimated Population ¹	District Estimated Population ²	Median Household Income ³
2020	-	-	-	-
2019	256,623	139,236	112,268	51,078
2018 ³	248,429	133,964	111,836	48,713
2017	245,720	131,996	109,920	47,267
2016	243,394	130,659	108,460	46,860
2015	241,505	129,193	107,467	46,602
2014	239,717	127,796	106,492	43,609
2013	237,316	126,406	105,635	40,633
2012	234,626	124,843	104,422	40,633
2011	232,396	123,584	104,359	40,484

¹ Source: Waco Chamber of Commerce and Texas Comptroller of Public Accounts

² Source: U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE)

³ Source: U.S. Census Bureau, Selected Economic Characteristics

⁴ Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

Table 14

Per Capita Personal Income ³	Unemployment Rate ⁴
-	6.0%
22,461	3.5%
24,166	3.7%
25,266	4.3%
24,968	4.2%
23,262	4.1%
21,722	5.6%
22,217	6.4%
22,217	6.9%
21,311	7.9%

Waco Independent School District
Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	Type of Business	2020		
		Employees	Rank	Percentage of Total Employment ¹
Baylor University	Higher Education	3,253	1	2.75%
Waco Independent School District	Public Education	2,373	2	2.01%
H-E-B Stores	Retail	2,000	3	1.69%
Baylor Scott & White Medical Center - Hillcrest	Healthcare	1,736	4	1.47%
Texas State Technical College	Higher Education	1,706	5	1.44%
Ascension Providence	Healthcare	1,622	6	1.37%
City of Waco	Local Government	1,518	7	1.28%
McLennan County	Local Government	1,201	8	1.01%
Sanderson Farms Inc.	Manufacturing	1,200	9	1.01%
Wal-Mart Stores	Retail	1,174	10	0.99%
Midway Independent School District	Public Education			
L3 Technologies	Aerospace			
		<u>17,783</u>		<u>15.02%</u>

Source: Waco Chamber of Commerce and Texas Workforce Commission

McLennan County:

¹ Total Employment for 2020: 118,346

² Total Employment for 2011: 105,132

City of Waco:

¹ Total Employment for 2020: 60,550

² Total Employment for 2011: 52,727

Table 15

2011		
Employees	Rank	Percentage of Total Employment ²
2,583	2	2.46%
2,276	4	2.16%
1,500	8	1.43%
1,793	6	1.71%
2,618	1	2.49%
1,506	7	1.43%
1,041	10	0.99%
2,561	3	2.44%
1,067	9	1.01%
2,079	5	1.98%
<u>19,024</u>		<u>18.10%</u>

Waco Independent School District
Full-time Equivalent District Employees by Position
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Professional Staff:				
Teachers	991.0	982.2	1,000.2	994.9
Professional Support:				
Counselor	41.6	38.9	38.7	38.8
Educational Diagnostician	6.8	5.4	9.6	9.0
Librarian	2.1	2.3	3.0	3.0
Music Therapist	0.0	0.0	0.0	0.0
Occupational Therapist	2.8	2.0	1.8	2.0
School Nurse	7.0	6.8	5.8	18.9
LSSP/Psychologist	2.0	1.0	3.0	4.0
Social Worker	4.5	6.4	8.9	8.0
Speech Therapist/Speech-language Pathologist	10.8	9.8	11.8	14.0
Teacher Facilitator	77.2	85.0	78.2	72.0
Athletic Trainer	4.0	4.0	4.0	4.0
Other Campus Professional	46.8	43.7	42.6	44.7
Other Non-instructional District Professional	73.7	72.4	66.9	68.6
Campus Administration:				
Assistant Principal	45.6	48.9	49.0	47.9
Principal	24.8	23.0	23.0	24.0
Registrar	0.0	0.0	0.0	0.0
Central Administration:				
Assistant/Associate/Deputy Superintendent	4.7	2.0	3.0	4.0
Administrative/Instructional Program Director	17.4	15.0	15.0	12.0
Superintendent	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Total Professional Staff	<u>1,363.8</u>	<u>1,349.8</u>	<u>1,365.5</u>	<u>1,370.8</u>
Educational Aides	409.7	392.9	406.8	392.3
Auxiliary Staff	<u>590.2</u>	<u>567.1</u>	<u>571.3</u>	<u>566.3</u>
Total Personnel	<u><u>2,363.7</u></u>	<u><u>2,309.8</u></u>	<u><u>2,343.6</u></u>	<u><u>2,329.4</u></u>

Source: District's Public Education Information Management System (PEIMS) Reports, Fall submission

Table 16

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
941.8	909.4	894.5	905.7	962.2	1,077.3
37.3	37.9	38.9	38.4	36.4	39.3
9.1	10.6	9.0	10.0	11.5	18.6
3.9	6.0	7.0	7.0	8.0	9.1
0.0	0.0	0.0	0.0	1.0	1.0
2.0	1.0	2.0	0.0	0.0	0.0
19.9	20.0	20.0	20.1	24.9	25.3
4.0	4.0	4.6	6.6	6.5	2.0
11.0	8.9	5.1	2.0	3.0	3.0
11.4	12.0	12.5	11.7	10.0	9.0
71.6	34.0	28.7	26.2	71.5	65.7
4.0	4.0	4.0	5.0	4.6	2.9
34.4	55.6	49.4	41.7	8.1	1.5
64.6	51.9	43.8	47.0	30.4	34.4
47.4	45.0	44.0	46.5	37.0	41.0
22.0	22.9	23.1	24.0	30.6	29.8
0.0	1.0	1.0	2.0	3.0	0.0
4.0	4.0	0.0	1.0	3.0	3.0
12.0	13.0	22.5	12.0	13.5	13.0
<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>0.0</u>
1,301.4	1,242.2	1,211.1	1,207.9	1,266.2	1,375.9
297.7	225.8	193.8	158.3	158.3	177.0
<u>571.7</u>	<u>528.6</u>	<u>485.5</u>	<u>499.9</u>	<u>563.0</u>	<u>573.7</u>
<u><u>2,170.8</u></u>	<u><u>1,996.6</u></u>	<u><u>1,890.4</u></u>	<u><u>1,866.1</u></u>	<u><u>1,987.5</u></u>	<u><u>2,126.6</u></u>

Waco Independent School District

Operating Statistics

Last Ten Fiscal Years

(Unaudited)

<u>Fiscal Year</u>	<u>Enrollment¹</u>	<u>Operating Expenditures²</u>	<u>Cost per Student</u>	<u>Percentage Change</u>
2020	14,899	188,433,094	12,647	5.81%
2019	14,756	176,373,841	11,953	2.87%
2018 ³	14,823	172,226,475	11,619	2.48%
2017	15,081	170,989,474	11,338	4.93%
2016	14,946	161,487,147	10,805	7.91%
2015	14,978	149,977,010	10,013	9.16%
2014	14,894	136,629,620	9,173	1.94%
2013	15,221	136,951,764	8,998	1.94%
2012	15,329	135,308,262	8,827	-7.63%
2011	15,305	146,248,685	9,556	0.10%

¹ Source: District's Public Education Information Management System (PEIMS) Reports, Fall submission

² Operating expenditures are total expenditures less debt service and capital outlay from the Statement of Revenues, Expenditures, and Changes in Fund Balances.

³ Source: Government-wide Expenses are total expenses from the Statement of Activities. (In fiscal year 2018, the District implemented GASB No. 75 and related statements recognizing the District's proportional share of the TRS-Care net OPEB liability. As a result of significant changes in the plan, the District recorded negative on behalf expenses in the amount of \$43.7 million in functional expense categories in the Statement of Activities. Prior periods have not been restated.)

⁴ Source: District's enrollment and meal count data

Table 17

<u>Government-wide Expenses³</u>	<u>Cost Per Student</u>	<u>Percentage Change</u>	<u>Teaching Staff (FTE)¹</u>	<u>Student to Teacher Ratio</u>	<u>Students on Free & Reduced Lunch Counts</u>
211,811,397	14,216	6.63%	991	15.03	90.32%
196,728,789	13,332	42.26%	982	15.03	93.98%
138,920,412	9,372	-24.60%	1,000	14.82	88.87%
187,455,293	12,430	2.89%	995	15.16	86.95%
180,564,836	12,081	9.87%	942	15.87	88.32%
164,697,513	10,996	6.16%	909	16.48	88.99%
154,266,204	10,358	2.28%	895	16.64	90.27%
154,144,323	10,127	1.19%	906	16.80	89.82%
153,410,251	10,008	-4.34%	962	15.93	88.35%
160,122,569	10,462	0.25%	1,077	14.21	86.74%

Waco Independent School District

Teacher Base Salaries

Last Ten Fiscal Years

Fiscal Year Ended August 31,	District		
	Minimum	Maximum	Average
	Salary ¹	Salary ¹	Salary ²
2020	\$ 49,000	\$ 66,600	\$ 54,100
2019	46,100	63,200	50,922
2018	45,600	62,200	50,379
2017	45,500	61,600	50,239
2016	45,000	61,500	49,628
2015	43,000	55,800	48,468
2014	42,000	59,300	47,554
2013	41,000	58,300	46,388
2012	40,000	57,300	45,344
2011	40,000	54,200	44,590

¹ Source: District Human Resource records

² Source: Texas Education Agency website

Table 18

County Average Salary ²	Region Average Salary ²	Statewide Average Salary ²
\$ 53,154	\$ 53,292	\$ 57,091
49,211	49,440	54,122
48,923	48,988	53,334
48,377	48,560	52,525
47,665	47,829	51,891
46,005	46,653	50,715
45,511	46,303	49,692
44,765	45,546	48,821
44,360	45,177	48,375
44,153	45,102	48,639

Waco Independent School District
School Building Information
Last Ten Fiscal Years
(Unaudited)

Building	2020	2019	2018	2017
Elementary Schools				
Alta Vista - 1910				
Square Footage	48,872	48,872	47,336	47,336
Capacity	594	594	594	594
Enrollment	505	502	498	518
Bell's Hill - 2012 (new building)				
Square Footage	115,440	115,440	115,440	115,440
Capacity	900	900	900	900
Enrollment	736	775	754	775
Brook Avenue - 1999				
Square Footage	45,990	45,990	45,990	45,990
Capacity	484	484	484	484
Enrollment	365	371	372	368
Cedar Ridge - 1954				
Square Footage	56,725	56,725	56,725	56,725
Capacity	692	692	692	692
Enrollment	542	554	567	594
Crestview - 1951				
Square Footage	74,813	74,813	74,813	74,813
Capacity	790	790	790	790
Enrollment	557	536	608	676
Dean Highland - 2011 (new building)				
Square Footage	90,775	90,775	90,775	90,775
Capacity	834	834	834	834
Enrollment	720	727	739	815
Hillcrest - 1953				
Square Footage	47,695	47,695	47,695	47,695
Capacity	450	450	450	450
Enrollment	440	441	430	437
J.H.Hines - 2010 (new building)				
Square Footage	79,285	79,285	79,285	79,285
Capacity	680	680	680	680
Enrollment	488	516	503	519
Kendrick - 1952				
Square Footage	52,330	52,330	52,042	52,042
Capacity	582	582	582	582
Enrollment	531	501	530	542
Lake Air Montessori - 1957				
Square Footage	111,198	111,198	109,662	109,662
Capacity	746	746	746	746
Enrollment	786	775	710	682
Mountainview - 1957				
Square Footage	48,427	48,427	48,427	48,427
Capacity	550	550	550	550
Enrollment	400	375	382	421
Parkdale - 1960				
Square Footage	56,382	56,382	54,846	54,846
Capacity	692	692	692	692
Enrollment	673	669	620	629

Table 19

2016	2015	2014	2013	2012	2011
47,336	47,336	47,336	47,336	47,336	47,336
594	594	594	594	594	594
559	520	514	507	453	460
115,440	115,440	115,440	115,440	56,725	56,725
900	900	900	900	638	638
787	816	808	915	448	495
45,990	45,990	45,990	45,990	45,990	45,990
484	484	484	484	484	484
375	391	424	433	387	350
56,725	56,725	56,725	56,725	56,725	56,725
692	692	692	692	692	692
607	627	667	698	546	557
74,813	74,813	74,813	74,813	74,813	74,813
790	790	790	790	790	790
767	703	714	763	465	526
90,775	90,775	90,775	90,775	90,775	45,171
834	834	834	834	834	506
793	762	792	780	459	291
47,695	47,695	47,695	47,695	47,695	47,695
450	450	450	450	450	450
422	436	434	435	320	286
79,285	79,285	79,285	79,285	79,285	79,285
680	680	680	680	680	680
552	527	520	484	562	635
52,042	52,042	52,042	52,042	52,042	52,042
582	582	582	582	582	582
529	520	526	507	482	487
109,662	109,662	109,662	109,662	109,662	109,662
746	746	746	746	746	746
654	683	698	776	714	745
48,427	48,427	48,427	48,427	48,427	48,427
550	550	550	550	550	550
434	445	445	435	448	464
54,846	54,846	54,846	54,846	54,846	54,846
692	692	692	692	692	692
608	627	567	530	448	423

Waco Independent School District
School Building Information
Last Ten Fiscal Years
(Unaudited)

Building	2020	2019	2018	2017
Provident Heights - 1999				
Square Footage	45,990	45,990	45,990	45,990
Capacity	484	484	484	484
Enrollment	376	367	386	419
South Waco - 1988				
Square Footage	65,003	65,003	65,003	65,003
Capacity	724	724	724	724
Enrollment	542	504	526	523
West Avenue - 2001				
Square Footage	51,429	51,429	51,429	51,429
Capacity	428	428	428	428
Enrollment	355	338	382	367
Middle Schools				
Cesar Chavez - 2003				
Square Footage	128,525	128,525	128,525	128,525
Capacity	1,075	1,075	1,075	1,075
Enrollment	931	865	847	891
G.W. Carver - 1956				
Square Footage	106,934	106,934	106,934	106,934
Capacity	900	900	900	900
Enrollment	432	488	477	451
Indian Spring (A.J. Moore) - 1970				
Square Footage	139,180	139,180	139,180	139,180
Capacity	700	700	700	700
Enrollment	558	519	524	583
Tennyson - 1960				
Square Footage	114,581	114,581	114,581	114,581
Capacity	1,250	1,250	1,250	1,250
Enrollment	920	921	930	947
High Schools				
University - 2011 (new building)				
Square Footage	355,513	355,513	355,513	355,513
Capacity	1,920	1,920	1,920	1,920
Enrollment	1,684	1,652	1,735	1,725
Waco - 1961				
Square Footage	346,177	346,177	346,177	346,177
Capacity	2,165	2,165	2,165	2,165
Enrollment	2,063	2,053	1,971	1,866
Alternative Schools				
Brazos High Credit Recovery - 1950				
Square Footage	59,762	59,762	59,762	59,762
Capacity	240	240	240	240
Enrollment	192	223	223	198
McLennan County Challenge Academy - 1968				
Square Footage	55,061	55,061	55,061	55,061
Capacity	75	75	75	75
Enrollment	34	31	22	37

Table 19

2016	2015	2014	2013	2012	2011
45,990	45,990	45,990	45,990	45,990	45,990
484	484	484	484	484	484
341	404	442	432	404	417
65,003	65,003	65,003	65,003	65,003	65,003
724	724	724	724	724	724
531	555	552	569	673	617
51,429	51,429	51,429	51,429	51,429	51,429
428	428	428	428	428	428
353	365	375	402	371	366
128,525	128,525	128,525	128,525	89,038	89,038
1,075	1,075	1,075	1,075	575	575
859	910	898	955	483	463
106,934	106,934	106,934	106,934	106,934	106,934
900	900	900	900	900	900
460	473	503	471	453	491
139,180	139,180	139,180	139,180	139,180	139,180
700	700	700	700	700	700
575	579	618	548	714	650
114,581	114,581	114,581	114,581	114,581	104,935
1,250	1,250	1,250	1,250	1,250	900
881	902	825	821	592	589
355,513	355,513	355,513	355,513	355,513	355,513
1,920	1,920	1,920	1,920	1,920	1,920
1,667	1,610	1,537	1,659	1,438	1,341
346,177	346,177	346,177	346,177	346,177	346,177
2,165	2,165	2,165	2,165	2,165	2,165
1,809	1,799	1,732	1,654	1,444	1,552
59,762	59,762	59,762	59,762	59,762	59,762
240	240	240	240	240	550
235	199	169	144	110	107
55,061	55,061	55,061	55,061	55,061	55,061
75	75	75	75	75	660
31	20	54	74	50	50

Waco Independent School District
School Building Information
Last Ten Fiscal Years
(Unaudited)

Building	2020	2019	2018	2017
G.L. Wiley Opportunity Center- 1938				
Square Footage	71,196	71,196	71,196	71,196
Capacity	75	75	75	75
Enrollment	69	53	67	71
Career and Technical Schools				
Greater Waco Advanced Manufacturing Academy - 1963				
Square Footage	61,096	61,096	61,096	61,096
Capacity	350 - 375	350 - 375	350 - 375	350 - 375
Enrollment	273	187	204	170
Greater Waco Advanced Healthcare Academy - 1968				
Square Footage	35,694	35,694	35,694	35,694
Capacity	300 - 325	300 - 325	300 - 325	300 - 325
Enrollment	317	215	170	200

Source: District facilities records - Square footage
 District Demographic Study 2016-17 - Capacity
 District's Public Education Information Management System (PEIMS) Reports, Fall submission

Table 19

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
71,196	71,196	71,196	71,196	71,196	71,196
75	75	75	75	75	75
117	77	80	93	66	120
61,096	61,096	61,096	48,888	48,888	48,888
350 - 375	350 - 375	350 - 375	550	550	550
150	150	55	-	-	-
35,694	35,694	35,694	35,694	35,694	35,694
300 - 325	264	264	264	264	264
75	-	-	-	-	-

(This page intentionally left blank)

Compliance, Internal Control, and Federal Awards

(This page intentionally left blank)



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

The Board of Trustees of
Waco Independent School District
Waco, Texas

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waco Independent School District (the District) as of and for the fiscal year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 19, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 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.

Weaver and Tidwell, L.L.P.
1406 Wilson Road, Suite 100 | Conroe, Texas 77304
Main: 936.756.8127

CPAs AND ADVISORS | WEAVER.COM

The Board of Trustees of
Waco Independent School District

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
January 19, 2021



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

The Board of Trustees of
Waco Independent School District
Waco, Texas

Report on Compliance for Each Major Federal Program

We have audited Waco Independent School District's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the fiscal year ended August 31, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

Report on Internal Control over Compliance

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

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
January 19, 2021

**Waco Independent School District
 Schedule of Findings and Questioned Costs
 For the Year Ended August 31, 2020**

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

- | | | |
|----|---|---------------|
| 1. | Type of auditor’s report issued | Unmodified |
| 2. | Internal Control over Financial Reporting: | |
| a. | Material Weakness(es) identified? | No |
| b. | Significant Deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 3. | Noncompliance material to the Financial Statements noted? | No |

FEDERAL AWARDS

- | | | |
|----|--|--|
| 4. | Internal control over major programs: | |
| a. | Material Weakness(es) identified? | No |
| b. | Significant Deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 5. | Type of auditor’s report issued on compliance with major programs? | Unmodified |
| 6. | Any Audit Findings Disclosed that are Required to be Reported in Accordance with Uniform Guidance? | No |
| 7. | Identification of Major Programs | Child Nutrition Cluster 10.553, 10.555, 10.559
COVID-19 Elementary and Secondary School
Emergency Relief 84.425D |
| 8. | Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs | \$799,517 |
| 9. | Auditee Qualified as a Low-Risk Auditee? | Yes |

SECTION 2 – FINANCIAL STATEMENT FINDINGS

None reported

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

**Waco Independent School District
Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2020**

Prior Year Findings

None Reported

Waco Independent School District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020

Exhibit K-1

(1) Federal Grantor/ Pass Through Grantor/ Program or Cluster Title	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Total Federal Expenditures
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
ESSA Title I, Part A - Improving Basic Programs	84.010A	21610101161914	\$ 381,322
ESSA Title I, Part A - Improving Basic Programs	84.010A	20610101161914	5,026,158
ESSA Title I, Part A - Improving Basic Programs	84.010A	19610101161914	10,655
ESSA Title I 1003(A) Priority & Focus School Grant	84.010A	20610441161914	281,821
ESSA Title I 1003(A) Priority & Focus School Grant	84.010A	19610141161914	6,996
ESSA Title I, Transformation Zone Planning Continuation & Implementation	84.010A	196101217110007	2,281,337
Total Program 84.010A			7,988,289
Special Education Cluster (IDEA):			
IDEA - Part B Formula	84.027A	216600011619146000	205,450
IDEA - Part B Formula	84.027A	206600011619146000	2,920,454
IDEA - Part B Formula	84.027A	196600011619146600	67,552
SSA-IDEA-Part B-Discretionary (Deaf)	84.027A	206600111619146674	32,333
Total Program 84.027A			3,225,789
IDEA - Part B Preschool	84.173A	206610011619146010	7,803
IDEA - Part B Preschool	84.173A	196610011619146610	15,341
Total Program 84.173A			23,144
Total Special Education Cluster (IDEA)			3,248,933
Career and Technical - Basic Grant	84.048A	20420006161914	207,074
Career and Technical - Basic Grant: Perkins Career Clusters	84.048A	21420006161914	9,796
Total Program 84.048A			216,870
ESSA Title X, Part C McKinney-Vento Homeless Education	84.196A	204600057110073	109,329
Total Program 84.196A			109,329
Title IV, Part B-21st Century Community Learning Centers	84.287C	216950247110030	13,199
Title IV, Part B-21st Century Community Learning Centers	84.287C	206950247110030	210,509
Title IV, Part B-21st Century Community Learning Centers	84.287C	196950247110030	(865)
Total Program 84.287C			222,843
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	20671003161914	259,104
Total Program 84.365A			259,104
ESSA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	21694501161914	18,856
ESSA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	20694501161914	444,653
ESSA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	19694501161914	313
Total Program 84.367A			463,822
Texas Title I Priority Schools, Cycle 5	84.377A	176107327110017	851,118
Instructional Continuity	84.377A	17610740161914	76,796
Total Program 84.377A			927,914
ESSA Title IV, Part A - Student Support and Academic Enrichment Program	84.424A	20680101161914	315,376
Total Program 84.424A			315,376
COVID-19 Elementary and Secondary School Emergency Relief	84.425D	20521001161914	2,977,530
Total Program 84.425D			2,977,530
Total U.S. Department of Education			16,730,010

Waco Independent School District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020

Exhibit K-1

(1) Federal Grantor/ Pass Through Grantor/ Program or Cluster Title	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Total Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
Healthier US School Challenge	10.543	00789	2,349
Child Nutrition Cluster:			
Passed Through State Department of Education - Cash Assistance:			
School Breakfast Program	10.553	714020	1,933,814
National School Lunch Program	10.555	713020	4,932,434
Passed Through State Department of Agriculture - Non-Cash Assistance:			
National School Lunch Program	10.555	806780706	669,045
Passed Through State Department of Agriculture - Cash Assistance:			
COVID-19 Summer Feeding Program	10.559	806780706	1,225,172
Total Child Nutrition Cluster			8,760,465
Passed Through State Department of Agriculture:			
COVID-19 Child and Adult Care Food Program (CACFP)	10.558	806780706	618,478
Child and Adult Care Food Program (CACFP)	10.558	806780706	162,673
Total Program 10.558			781,151
Fresh Fruit and Vegetable Program	10.582	806780706	182,834
Total U.S. Department of Agriculture			9,726,799
<u>U.S. Department of Defense</u>			
Passed Through McLennan County:			
Payments in Lieu of Real Estate Taxes	12.112	N/A	1,667
Total U.S. Department of Defense			1,667
<u>U.S. Department of Justice</u>			
Passed Through Office of Community Oriented Policing Services:			
Public Safety Partnership and Community Policing Grants	16.710	2019SVWX0004	16,459
Total U.S. Department of Treasury			16,459
<u>U.S. Department of Treasury</u>			
Volunteer Income Tax Assistance Grant (VITA)	21.009	19VITA0059	8,462
Total U.S. Department of Treasury			8,462
<u>U.S. Department of Health and Human Services</u>			
Passed through Texas Health and Human Services Commission			
Medical Assistance Program-MAC	93.778	529-07-0157-00230	167,167
Total U.S. Department of Health and Human Services			167,167
Total Expenditures of Federal Awards			\$ 26,650,564

N/A - An entity identifying number is not available.

Waco Independent School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2020

Note 1. Summary of Significant Accounting Policies

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 the specified grant/project period.

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of Waco Independent School District (the "District"). The District receives federal awards both directly and indirectly through pass-through entities. The information in this schedule is presented in accordance with the requirements of Single Audit Act Amendments of 1996 and *Title 2 U.S. Code of Federal Regulations (CFR), Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. National School Breakfast and Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation. All federal grant funds were accounted for in the special revenue funds except for indirect costs recoveries, Medicaid Administrative Claiming, Student Health and Related Services Program, E-rate, and Reserve Officer Training Corps (ROTC) reimbursements, and Payments in Lieu of Taxes which are recorded in the general fund. Although recorded as federal revenue in the general fund, certain reimbursements, identified below, do not meet the definition of federal awards for purposes of preparing the schedule of federal awards.

Note 2. De Minimis Indirect Cost Rate

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

Note 3. Reconciliation to the Basic Financial Statements

The following is a reconciliation of expenditures of federal awards per Exhibit K-1 and federal revenues reported on Exhibit C-2 of the annual financial report:

Federal awards per Schedule of Expenditures of Federal Awards	\$ 26,650,564
Student Health and Related Services Program (SHARS)	1,769,960
Reserve Officers' Training Corps	112,392
Universal E-rate	<u>206,821</u>
Total federal program revenues - Exhibit C-2	<u><u>\$ 28,739,737</u></u>

Waco Independent School District
Schools FIRST Questionnaire (Unaudited)
For the Year Ended August 31, 2020

Exhibit L-1

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	<p>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 warrant hold was issued, the school district is considered to not have made timely payments.)</p> <p>Payments to 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.</p> <p>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.</p>	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$ 186,783