



Waco Independent School District

Annual Financial Report

For the Fiscal Year Ended August 31, 2019

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

Waco Independent School District
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Introductory Section

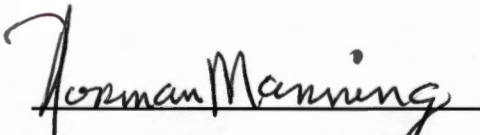
Certificate of Board

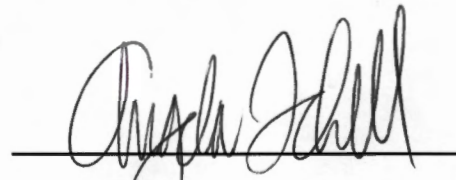
Waco Independent School District

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, 2019 at a meeting of the Board of Trustees of such independent school district on the 23rd day of January, 2020.


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):

Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 Schedule of Required Responses to Selected School FIRST Indicators, 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 was derived from and relates 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 16, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 16, 2020

Management's Discussion and Analysis

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2019

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, 2019. 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, 2019:

- ♦ On a government-wide basis, the liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$17.5 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 \$57.8 million, an increase of \$5.9 million from the prior year.
- ♦ The District's general fund had an ending fund balance of \$49.2 million, of which \$44.7 million is unassigned and available for the discrete purposes for which these funds are collected. The unassigned amount represents 31.1% of its annual operating expenditures. The total fund balance increased by \$5.2 million from the prior year with the unassigned fund balance increasing by \$2.9 million.
- ♦ The ending fund balance for the National School Breakfast and Lunch Programs was \$3.8 million, an increase of \$1.0 million over the prior year.
- ♦ Fund balances restricted for debt service increased by \$145,354 to \$4.1 million.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2019

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. This 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). 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			

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. The following chart illustrates these differences.

	Government Wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District for basic services	The day-to-day operating activities for internal service funds	Instances in which the District administers resources on behalf of others
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus, except agency funds do not have measurement focus
Types of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; capital assets and long-term liabilities are not included	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when the cash is received or paid

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2019

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, as well as 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.

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 purpose 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. 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. Funds 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.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2019

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 the governmental funds financial statements for the general fund, the National School Breakfast and Lunch Program fund, and the debt service 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".

- ♦ **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 trustee 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 trustee 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 fiduciary fund 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.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2019

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, 2019, the District's total liabilities and deferred inflows of resources exceeded its total assets and deferred outflows of resources by \$17.5 million, an increase of \$3.9 million from August 31, 2018.

Statement of Net Position

	Governmental Activities		
	2019	2018	% Change
Current and other assets	\$ 74,165,927	\$ 68,931,473	7.6%
Capital assets, net of accumulated depreciation	<u>184,345,713</u>	<u>190,709,412</u>	-3.3%
Total assets	<u>258,511,640</u>	<u>259,640,885</u>	-0.4%
Deferred outflows of resources	<u>46,381,662</u>	<u>28,249,377</u>	64.2%
Current liabilities	12,445,237	13,361,675	-6.9%
Long-term liabilities	<u>280,397,071</u>	<u>266,857,245</u>	5.1%
Total liabilities	<u>292,842,308</u>	<u>280,218,920</u>	4.5%
Deferred inflows of resources	<u>29,574,783</u>	<u>29,109,072</u>	1.6%
Net position (deficit):			
Net investment in capital assets	29,669,042	29,990,868	-1.1%
Restricted	7,859,566	5,960,292	31.9%
Unrestricted	<u>(55,052,397)</u>	<u>(57,388,891)</u>	-4.1%
Total net position (deficit)	<u><u>\$ (17,523,789)</u></u>	<u><u>\$ (21,437,731)</u></u>	-18.3%

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 decreased \$0.3 million over last year.

Additionally, \$8.0 million of the net position represents resources subject to external restrictions on how they are used. \$3.8 million of the funds are restricted for federal programs, specifically the National School Breakfast and Lunch program, with another \$4.0 million 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 \$55.1 at August 31, 2019, decreasing \$2.3 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.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2019

Changes in net position

The following table provides a summary comparing the District's operations for the years ended August 31, 2019 and 2018. For the year ended August 31, 2019, governmental activities increased the District's net position by \$3.9 million.

Changes in Net Position

	Governmental Activities		
	2019	2018	% Change
Revenues:			
Program Revenues:			
Charges for services	\$ 5,836,415	\$ 5,707,115	2.27%
Operating grants and contributions	43,276,111	9,980,612	333.60%
General Revenues:			
Property taxes	83,722,735	77,200,169	8.45%
Grants and contributions not restricted	65,405,082	64,950,166	0.70%
Investment earnings	1,633,709	1,072,854	52.28%
Miscellaneous	883,453	828,848	6.59%
Total revenues	<u>200,757,505</u>	<u>159,739,764</u>	25.68%
Expenses:			
Instruction	97,204,175	63,778,397	52.41%
Instructional resources and media services	1,145,653	951,999	20.34%
Curriculum and instructional staff development	8,191,863	4,118,181	98.92%
Instructional leadership	5,279,944	2,420,981	118.09%
School leadership	10,762,453	6,657,882	61.65%
Guidance, counseling, and evaluation services	5,935,365	3,202,513	85.33%
Social work services	1,176,663	700,617	67.95%
Health services	1,289,858	825,391	56.27%
Student transportation services	3,164,818	3,177,773	-0.41%
Food services	11,095,518	8,678,763	27.85%
Extracurricular activities	5,693,948	4,374,793	30.15%
General administration	4,935,156	3,738,000	32.03%
Plant maintenance and operations	15,921,753	15,301,105	4.06%
Security and monitoring services	2,550,677	1,875,149	36.03%
Data processing services	4,025,862	2,548,797	57.95%
Community services	1,883,438	1,037,951	81.46%
Debt service - Interest on long-term debt	6,525,159	6,709,165	-2.74%
Debt service - Issuance costs and fees	5,650	6,700	-15.67%
Facilities acquisition, improvements, and maintenance	116,177	1,145	
Payments to fiscal agents/member districts of shared services arrangements	749,055	556,613	34.57%
Payments related to Juvenile Justice Alternative Education program	514,035	456,901	12.50%
Payments to tax increment reinvestment zones	7,850,239	6,968,873	12.65%
Other intergovernmental charges	839,620	832,723	0.83%
Total expenses	<u>196,857,079</u>	<u>138,920,412</u>	41.70%
Increase in net position before transfers, and special items	3,900,426	20,819,352	-81.27%
Gain (loss) on sale of capital assets	13,516	33,013	-59.06%
Change in net position	3,913,942	20,852,365	-81.23%
Net position, September 1	(21,437,731)	59,304,576	-136.15%
Prior period adjustment - change in accounting standards*	-	(101,594,672)	-100.00%
Net position (deficit), August 31	<u>\$ (17,523,789)</u>	<u>\$ (21,437,731)</u>	-18.26%

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2019

Governmental activities

Total revenues, as reflected in the District's governmental activities, increased \$41.0 million for the fiscal year ended August 31, 2019. Total expenses for the fiscal year increased \$57.9 million.

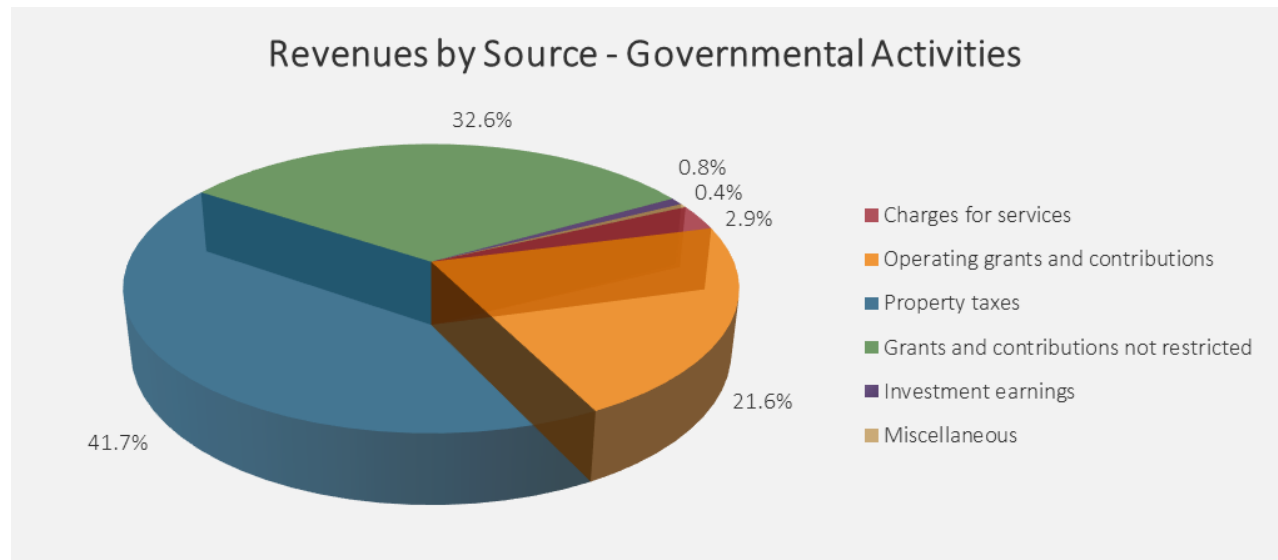
This dramatic change in total expenses as well as operating grants and contributions revenues is attributable to the negative adjustment recognized in the prior year resulting from the implementation of GASB Statement No. 75, as well as significant changes in the benefits provided by the Teacher Retirement System (TRS) retiree healthcare plan and supplemental contributions from the State. These changes resulted in an increase in the District's OPEB liability and related expense. Under the newly implemented accounting standards, the District was required to report negative revenues and expenditures for the portion of the reduction in the liability that is the responsibility of the State.

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 \$108.7 million and representing 54.2% of total revenues and property taxes, totaling \$83.7 million or 41.7% of total revenues.

The District's largest single source of revenue comes from local property taxes. Property taxes for general purposes increased \$5.7 million while taxes levied for debt service increased \$0.8 million. This increase was due to an increase in property values of 10.4% for the 2018 tax year.

At the same time, State formula funding under the Foundation School Program, totaling \$65.4 million, contributed 32.6% of the District's revenues with an increase of \$0.5 million over last year. Three major factors impact State funding: property valuations, collections, and average daily attendance. As previously discussed, property values and resulting collections increased although average daily attendance for the 2018-2019 school year decreased by 45 students from the prior year.

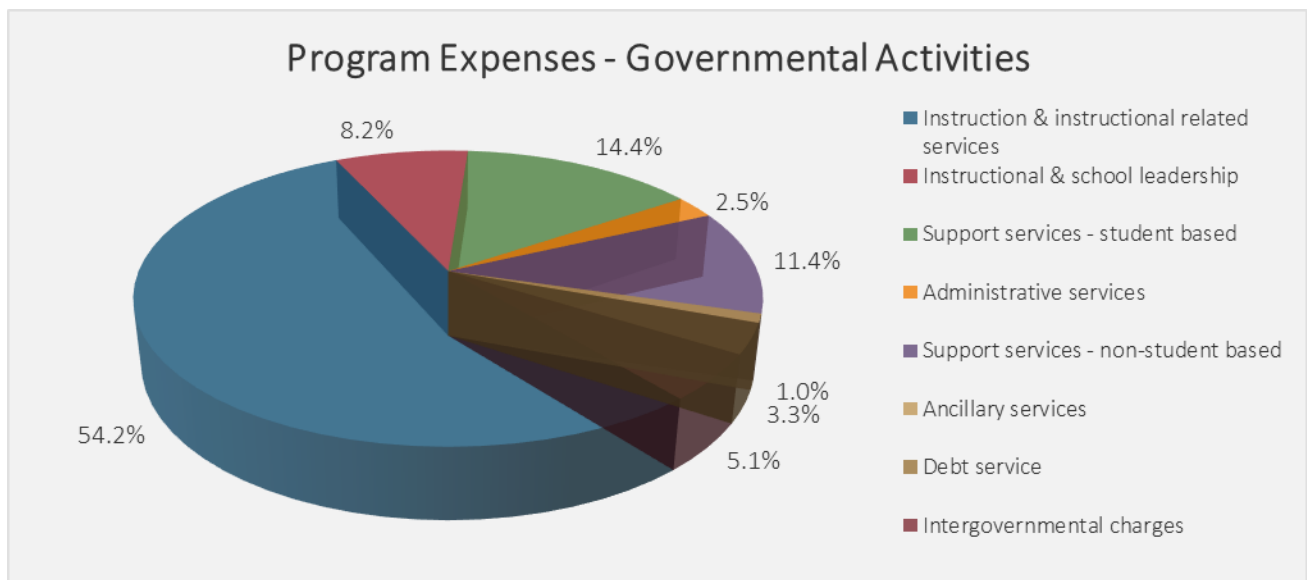
Program related grants and contributions totaled \$43.3 million. The remaining 4.1% is generated from charges for services, investment earnings, and miscellaneous revenues.



Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2019

The cost of all governmental activities totaled \$196.9 million increasing \$57.9 million from the prior year. The increase in functional expenses is primarily due to the effect of adjustments to functional expenses in the prior year to record the State's negative on-behalf contributions for OPEB in conjunction with the implementation of GASB Statement No. 75. Additional information on the District's OPEB liability can be found in Note 11 to the financial statements as indicated in the table of contents of this report.

The District's expenses by major function are shown below. \$106.5 million or 54.2% of the District's total expenses was spent on instruction and instructional related services with another \$28.4 million, 14.4%, attributable to student based support services and \$16.0 million, 8.2%, to instructional and school leadership. Non-student based support services totaled \$22.5 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 \$10.0 million while expenses related to paying debt service totaled \$6.5 million. The remaining 3.5% was spent for general administrative costs and community services.



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, 2019, the District's governmental funds, shown on Exhibit C-1, reported a combined ending fund balance of \$57.8 million, an increase of \$6.0 million from the prior year. The unassigned fund balance in the general fund constitutes 77.4% of the combined ending fund balances.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2019

The remainder of the fund balance is not available for general operations because it is nonspendable, restricted, committed or assigned as follows:

Nonspendable fund balance:	
Investments in inventory	\$ 408,856
Prepaid items	3,488
Restricted fund balance:	
Federal or state funds grant restriction	3,822,443
Retirement of long-term debt	4,057,107
Other restricted fund balance	1,110,137
Committed fund balance:	
Capital expenditures for equipment	570,481
Other committed fund balance	2,432,404
Assigned fund balance:	
Other assigned fund balance	642,837

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, 2019, the fund balance for the general fund totaled \$49.2 million, increasing \$5.2 million from the year ended August 31, 2018. The unassigned portion of the fund balance increased by \$2.9 million to \$44.7 million, while committed and assigned funds increased by \$1.4 million. The increase in committed and assigned 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 31.1% of total fund expenditures, while the total fund balance is 34.2%.

National School Breakfast and Lunch Program

Revenues for the National School Breakfast and Lunch Program exceeded expenditures by \$1.0 million. The General Fund recognized \$368,955 in indirect cost recoveries from the program to cover administrative costs as well as maintenance (including the program's share of utilities costs), security, and technology infrastructure. The fund balance at year end totaled \$3.8 million.

Debt service

Reserves in the debt service fund increased by \$145,354. The property value increases resulted in increased tax collections, penalties and related fees of \$1.0 million. Revenue generated through the State's Existing Debt allotment, decreased by \$0.1 million. Approximately \$1.2 million of the tax collections is passed through to the Tax Increment Fund, an increase of \$0.1 million over last year. Funds, in the amount of \$47,209, remaining from bonds issued in 2008 and 2009, were transferred into the fund to pay related debt. The ending debt service reserve represents 27.7% of the annual debt service.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2019

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. Typically, these funds do not carry a fund balance. The fund balance shown of \$0.6 million, for the other governmental funds represents fund balances in campus activity funds.

Proprietary Funds

An internal service fund has been utilized to record costs associated with the District's 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. As of January 1, 2018, the District implemented a self-funded group health plan in order to provide health care benefits to employees. 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 \$9.6 million and employee contributions totaled \$3.0 million. Fees paid to the third party administrators totaled \$1.1 million. Claims expense totaled \$9.0 million and included actuarial determined expense adjustments for allocated loss of \$265,241 for workers' compensation and incurred but not reported medical claims of \$538,133 and prescription drug claims of \$73,969. The ending net position for the fund was \$2.7 million an increase from the prior year of \$1.8 million and represents 23.7% of the fund's operating expenses for 2018-2019.

General Fund Budgetary Highlights

On August 23, 2018, 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	\$ 145,115,895
National School Breakfast and Lunch Program fund	10,176,852
Debt Service Fund	14,690,490

In addition to the functional appropriations, the District budgeted an operating transfer of \$415,009 in the General Fund to cover the projected funding deficit for the operations of the Advanced Manufacturing and Health Care Academies. Estimated revenues covered budgeted appropriations in both the General Fund and the National School Breakfast and Lunch Program. However, budgeted appropriations exceeded estimated revenues in Debt Service fund by \$37,304.

For the 2019 fiscal year, the General Fund budget was adopted based on a proposed tax rate of \$1.17 per \$100 of valuation. In proposing the 2018 tax rate, the Board approved a decrease in the interest and sinking rate of \$0.0059, from \$0.24000 to \$0.23408 per \$100 of valuation. While the District has averaged a 10.0% growth in property values over the last three years, values of properties located in tax increment reinvestment zones (TIRZ) increased an average of 20.4%. 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, 2019

These increased property values resulted in a shift in revenue sources. For the first time since the enactment of "Robin Hood", revenue estimates for local property tax collections of \$64.8 million exceeded State Foundation School Program revenue of \$63.1 million. Overall, revenues were estimated to increase \$4.5 million for the 2018-2019 school year.

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

- Increase salaries, \$1.8 million, and benefits, \$0.8 million, to retain and attract a highly qualified workforce:
 - increased starting teacher pay from \$45,600 to \$46,100 with an average increase of 2.0%,
 - average general increase of 2.0% for auxiliary and paraprofessional staff, and 1.5% for administrative staff,
 - increase in minimum wage rate for auxiliary staff, and
 - increase in health insurance contributions.
- Contracted transportation was increased to accommodate wage increases for bus drivers and an increase in starting pay to \$15.50 per hour
- Additional instructional support staff in dyslexia, gifted and talented and bilingual programs
- \$2.9 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 \$3.0 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.

Over the course of the year, the District's administration recommended, and the Board 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 with offsetting expenditure appropriation increases for the following:
 - \$1.1 million for services for newly identified special education students and
 - \$1.0 million for technology infrastructure and school security projects.
- 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, 2018;
 - \$0.7 million for bus purchases;
 - \$0.3 million for purchase orders from fiscal year 2018, honored in 2019;
 - \$2.0 million for projects under the District's capital improvements program;
 - \$0.3 million for E-rate projects; and
 - \$0.2 million for performance incentives and comparability requirements.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2019

In the National School Breakfast and Lunch fund, appropriations were increased by \$1.2 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	\$ 877,296
• The Regional Day School for the Deaf	1,027,908
• The Greater Waco Advanced Academies:	
- Advanced Health Care Academy	940,465
- Advanced Manufacturing Academy	1,182,670

Capital Assets

The District's investment in capital assets for its governmental activities as of August 31, 2019, totaled \$184.3 million, net of accumulated depreciation of \$144.9 million. The decrease in capital assets, net of accumulated depreciation, of \$6.4 million from the prior year is due to depreciation expense of \$8.1 million while asset additions totaled \$1.7 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, 2019	August 31, 2018
Land	\$ 9,310,772	\$ 9,310,772
Buildings and improvements	165,660,767	171,476,975
Furniture, equipment, and vehicles	9,374,174	9,921,664
Total capital assets, net of accumulated depreciation	<u>\$ 184,345,713</u>	<u>\$ 190,709,411</u>

Major capital asset acquisitions for the current fiscal year included:

- Portables to accommodate program expansion at a cost of \$0.2 million;
- Vehicle purchases totaling \$0.9 million including \$0.7 million for new school buses; and
- Equipment purchases of \$0.6 million, including \$298,407 million in kitchen equipment and \$120,785 in new equipment for the Greater Waco Advance Manufacturing Academy.

These acquisitions were offset by depreciation and the sale of surplus property, including eight buses, eight 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, 2019, the District had total long-term liabilities totaling \$280.4 million. Of this amount, \$167.4 million comprises debt backed by the full faith of the State of Texas Permanent School Fund. During the 2018-2019 fiscal year, the District retired \$7.0 million in bonded debt through scheduled debt service payments. Bond payments due within one year total \$6.7 million.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2019

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 include lease revenue bonds in the amount of \$0.3 million, issued in 1999 to fund the construction of the Waco ISD Athletic Complex. The last payment on these bonds is scheduled for October, 2019.

Additionally, long-term obligations include \$50.6 million and \$62.1 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 increased \$18.7 million and its proportionate share of the net TRS-Care post-employment benefit liability increased \$4.2 million over last year.

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

	Governmental Activities	
	August 31, 2019	August 31, 2018
General obligation bonds	\$ 148,430,000	\$ 155,130,000
Lease revenue bonds	345,000	670,000
Premiums	18,075,498	19,278,383
Accumulated accretion	852,125	813,962
Total bonds payable, net	167,702,623	175,892,345
Claims and judgments	-	1,168,855
Net pension liability	50,580,910	31,853,985
Other post-employment benefits liability ¹	62,113,538	57,942,061
Total long-term liabilities	<u>\$ 280,397,071</u>	<u>\$ 266,857,246</u>

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

Economic Factors and Next Year's Budgets and Tax Rates

For the 2019-2020 fiscal year, the Board of Trustees adopted a balanced General Fund budget with appropriations totaling \$164.4 million, including an operating transfer of \$0.2 million to cover the projected shortfall in funding for the Greater Waco Advanced Manufacturing Academy.

The 86th Texas legislative session brought sweeping changes in public school funding in the form of House Bill (HB) 3. The bill provided additional dollars for Texas classrooms, increased teacher compensation, reduced recapture for Chapter 41 districts, and cut local property taxes. The bill created new allotments for early education, dual language, dyslexia, college, career, and military readiness, teacher mentor programs and incentives, and reimbursements for college prep and industry certification exams. Additional funding was also provided for special education and low-income students, with greater resources targeting the highest poverty areas.

These additional state revenues also relieved the burden on the local taxpayer, compressing the Maintenance and Operations tax rate by an average of 8 cents per \$100 of assessed value and providing for automatic tax rate reductions, starting in fiscal year 2021, if property values increase by more than 2.5% per year.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2019

Along with the additional funding were a number of mandates. 30% of the overall revenue increase must be spent on employee compensation increases with 75% of the total compensating teachers, nurses, and librarians. One of the primary focuses of the legislation was early childhood literacy. As a result, the bill required high-quality, full-day prekindergarten for all eligible four-year olds, the adoption of early childhood literacy and mathematics proficiency plans, and the development of elementary school teachers in the science of reading through reading academies.

As a result, Waco ISD estimated an increase in revenue for the 2019-2020 budget of \$19.0 million, primarily through increased compensatory education funding, bringing the total general fund revenues to \$164.5 million. Approximately \$70.6 or 43% comes from local property taxes with another \$82.5 million or 50% through the State Foundation School Program.

State revenues are still driven by local property collections and values as well as student populations in average daily attendance. 2019 property values saw a tapering off the previous years' average 10% growth, increasing less than 7% while values in the Tax Increment Reinvestment Zone dropped more significantly, from an average 23% growth to only 14%. The District's Maintenance and Operations tax rate was compressed from the \$1.1700, approved by voters in the 2015 tax ratification election, to \$1.0684. However, with the increased values, the decrease in local property tax revenue was negligible.

In compliance with HB 3, the District approved \$5.9 million in salary increases. This translated to an average increase of 7.6% to teachers, nurses, and librarians, 6% for counselors, 4% for auxiliary and paraprofessional staff, and 3% for administrators and other professionals. Another \$0.3 million was added to stipends and \$1.2 million to employee benefits. In line with funding increases \$2.3 million in new positions was added, primarily in the areas of special education and dyslexia instruction. Funds, to the tune of \$6.6 million, were also dedicated to augmenting the District's capital improvement program and supporting technology infrastructure upgrades.

On the debt service side, the Board decided to maintain the interest and sinking tax rate at \$0.234 per \$100 of valuation. With the increase in values, this rate will generate estimated revenue of \$15.6 million in property tax collections. Revenues are expected to cover schedule annual debt service of \$13.5 million, pass-through payments into the Tax Increment Fund of \$1.2 million, and provide \$0.7 million for the defeasance of 2038 maturities.

With the implementation of the Community Eligibility Program (CEP), revenues generated by the District's Child Nutrition Program have increased about 11% over the past two years. This increase has resulted in an excess of fund balance and is providing funding for significant equipment and serving line upgrades as well as covering the salary and benefit increases for program staff.

Early projections for the 2019-2020 school year indicate an average daily attendance increase from budget projections of 150 students and estimates of special populations appear to be on target. However, the execution of HB 3 has raised as many questions as it has answers and district's across the state are struggling with implementing programs, capturing newly required data, restructuring funding plans, and refining budget estimates. The District will continue to monitor information released by the Texas Education Agency, improving budget estimates and projecting actual operating results, working with instructional staff in applying the additional funding to best support student success.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2019

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.

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Basic Financial Statements

Waco Independent School District

Exhibit A-1

Statement of Net Position**August 31, 2019**

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	\$ 39,472,069
1120	Investments	26,201,991
1220	Property taxes receivable	3,927,702
1230	Allowance for uncollectible taxes	(2,414,116)
1240	Due from other governments	5,083,625
1250	Accrued interest receivable	239,984
1290	Other receivables	1,057,328
1300	Inventories	408,856
1400	Prepayments	188,488
	Capital assets not subject to depreciation:	
1510	Land	9,310,772
	Capital assets, net of accumulated depreciation:	
1520	Buildings and improvements	165,660,767
1530	Furniture, equipment, and vehicles	9,374,174
1000	Total assets	<u>258,511,640</u>
	Deferred Outflows of Resources	
1701	Deferred charge on refunding	13,025,952
1705	Deferred outflow of pension resources	28,144,247
1706	Deferred outflow of other post-employment benefit resources	5,211,463
1700	Total deferred outflows of resources	<u>46,381,662</u>
	Liabilities	
2110	Accounts payable	4,525,164
2120	Other liabilities	927,628
2140	Accrued interest payable	280,391
2150	Payroll deductions and withholdings	1,085,789
2160	Accrued wages payable	4,530,634
2177	Due to fiduciary funds	69,808
2180	Due to other governments	62,934
2300	Unearned revenue	962,889
	Noncurrent liabilities:	
2501	Due within one year	6,685,000
2502	Due after one year	161,017,623
2540	Net pension liability	50,580,910
2545	Net other post-employment benefit liability	62,113,538
2000	Total liabilities	<u>292,842,308</u>
	Deferred Inflows of Resources	
2605	Deferred inflows of pension resources	5,080,664
2606	Deferred inflows of other post-employment benefit resources	24,494,119
2600	Total deferred inflows of resources	<u>29,574,783</u>
	Net Position (Deficit)	
3200	Net investment in capital assets	29,669,042
	Restricted for:	
3820	Federal and state programs	3,822,443
3850	Debt service	4,037,123
3900	Unrestricted (deficit)	(55,052,397)
3000	Total net position (deficit)	<u>\$ (17,523,789)</u>

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

Waco Independent School District
Statement of Activities
For the Year Ended August 31, 2019

Exhibit B-1

of the Year Ended August 31, 2019

Data Control Codes		1	Program Revenues		Net (Expense)
			3	4	Revenue and
					Changes in Net
		Expenses	Charges for Services	Operating Grants and Contributions	Position
					Governmental Activities
Primary Government:					
Governmental activities:					
0011	Instruction	\$ 97,204,175	\$ 2,942,550	\$ 17,065,334	\$ (77,196,291)
0012	Instructional resource and media services	1,145,653	45,442	55,467	(1,044,744)
0013	Curriculum and instructional staff development	8,191,863	16,291	4,288,389	(3,887,183)
0021	Instructional leadership	5,279,944	208,484	1,991,557	(3,079,903)
0023	School leadership	10,762,453	199,338	1,318,532	(9,244,583)
0031	Guidance, counseling, and evaluation services	5,935,365	177,247	1,479,112	(4,279,006)
0032	Social work services	1,176,663	-	381,163	(795,500)
0033	Health services	1,289,858	-	574,710	(715,148)
0034	Student transportation services	3,164,818	16,726	320,142	(2,827,950)
0035	Food services	11,095,518	568,314	11,258,589	731,385
0036	Extracurricular activities	5,693,948	813,046	639,908	(4,240,994)
0041	General administration	4,935,156	190,180	1,574,608	(3,170,368)
0051	Plant maintenance and operations	15,921,753	365,233	427,920	(15,128,600)
0052	Security and monitoring services	2,550,677	-	70,741	(2,479,936)
0053	Data processing services	4,025,862	73,595	512,973	(3,439,294)
0061	Community services	1,883,438	164,712	945,196	(773,530)
0072	Interest on long-term debt	6,525,159	-	371,770	(6,153,389)
0073	Issuance cost and fees	5,650	-	-	(5,650)
0081	Facilities acquisition, improvements, and repairs	116,177	-	-	(116,177)
0093	Payments to fiscal agents/member districts of shared services arrangements	749,055	55,257	-	(693,798)
0095	Payments related to Juvenile Justice Alternative Education Program	514,035	-	-	(514,035)
0097	Payments to tax increment zones	7,850,239	-	-	(7,850,239)
0099	Other intergovernmental charges	839,620	-	-	(839,620)
TP	Total primary government	\$ 196,857,079	\$ 5,836,415	\$ 43,276,111	(147,744,553)
	Data Control Codes				
General revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				69,781,667
DT	Property taxes, levied for debt service				13,941,068
GC	Grants and contributions not restricted				65,405,082
IE	Investment earnings				1,633,709
MI	Miscellaneous				883,453
SI	Gain on sale of capital assets				13,516
TR	Total general revenues				151,658,495
CN	Change in net position				3,913,942
NB	Net position (deficit), beginning				(21,437,731)
NE	Net position (deficit), ending				\$ (17,523,789)

Waco Independent School District
Balance Sheet
Governmental Funds
August 31, 2019

Exhibit C-1

Data Control Codes	10 General Fund	24 Natl School Breakfast & Lunch Fund	50 Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds
Assets					
1110 Cash and cash equivalents	\$ 30,666,552	\$ 3,614,262	\$ 4,323,071	\$ 868,184	\$ 39,472,069
1120 Investments	23,087,990	-	3,114,001	-	26,201,991
1220 Property taxes - delinquent	3,227,337	-	700,365	-	3,927,702
1230 Allowance for uncollectible taxes (credit)	(1,966,252)	-	(447,864)	-	(2,414,116)
1240 Receivables from other governments	210,258	541,065	59,101	4,273,201	5,083,625
1250 Accrued interest receivable	232,984	6,540	460	-	239,984
1260 Due from other funds	8,550,519	193,449	-	780,156	9,524,124
1290 Other receivables	389,232	3,554	-	152,017	544,803
1300 Inventories	408,856	-	-	-	408,856
1410 Prepayments	3,488	-	-	-	3,488
Total assets	<u>\$ 64,810,964</u>	<u>\$ 4,358,870</u>	<u>\$ 7,749,134</u>	<u>\$ 6,073,558</u>	<u>\$ 82,992,526</u>
Liabilities					
2110 Accounts payable	\$ 3,294,806	\$ 379,097	\$ 1,450	\$ 718,247	\$ 4,393,600
2120 Other current liabilities	285	-	-	50,000	50,285
2150 Payroll deductions and withholdings payable	1,085,789	-	-	-	1,085,789
2160 Accrued wages payable	4,020,295	58,982	-	451,357	4,530,634
2170 Due to other funds	5,903,665	-	3,438,076	3,290,372	12,632,113
2180 Due to other governments	-	-	-	62,934	62,934
2300 Unearned revenues	6,732	98,348	-	857,809	962,889
Total liabilities	<u>14,311,572</u>	<u>536,427</u>	<u>3,439,526</u>	<u>5,430,719</u>	<u>23,718,244</u>
Deferred Inflows of Resources					
2601 Unavailable revenues - property taxes	<u>1,261,085</u>	<u>-</u>	<u>252,501</u>	<u>-</u>	<u>1,513,586</u>
2600 Total deferred inflows of resources	<u>1,261,085</u>	<u>-</u>	<u>252,501</u>	<u>-</u>	<u>1,513,586</u>
Fund Balances					
Nonspendable fund balance:					
3410 Investments in inventory	408,856	-	-	-	408,856
3430 Prepaid items	3,488	-	-	-	3,488
Restricted fund balance:					
3450 Federal or state funds grant restriction	-	3,822,443	-	-	3,822,443
3480 Retirement of long-term debt	-	-	4,057,107	-	4,057,107
3490 Other restricted fund balance	1,110,137	-	-	-	1,110,137
Committed fund balance:					
3530 Capital expenditures for equipment	570,481	-	-	-	570,481
3545 Other committed fund balance	2,432,404	-	-	-	2,432,404
Assigned fund balance:					
3590 Other assigned fund balance	-	-	-	642,837	642,837
3600 Unassigned fund balance	<u>44,712,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,712,941</u>
3000 Total fund balances	<u>49,238,307</u>	<u>3,822,443</u>	<u>4,057,107</u>	<u>642,837</u>	<u>57,760,694</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 64,810,964</u>	<u>\$ 4,358,870</u>	<u>\$ 7,749,134</u>	<u>\$ 6,073,556</u>	<u>\$ 82,992,524</u>

Waco Independent School District
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
August 31, 2019

Exhibit C-1R

Fund balances - total governmental funds (Exhibit C-1) \$ 57,760,694

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	\$ 329,253,334	
Accumulated depreciation of governmental capital assets	<u>(144,907,621)</u>	184,345,713

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. 1,513,586

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	\$ (148,775,000)	
Premium on bonds payable	(18,075,498)	
Accreted interest on capital appreciation bonds	(852,125)	
Accrued interest on the bonds	(280,391)	
Net pension liability	(50,580,910)	
Net post-employment benefits liability	<u>(62,113,538)</u>	(280,677,462)

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. 2,726,801

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. 13,025,952

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. 33,355,710

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. (29,574,783)

Net position (deficit) of governmental activities (Exhibit A-1) \$ (17,523,789)

Waco Independent School District

Exhibit C-2

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended August 31, 2019

Data Control Codes		10 General Fund	24 Natl School Breakfast & Lunch Fund	50 Debt Service Fund	Non-major Governmental Funds	98 Total Governmental Funds
Revenues						
5700	Local and intermediate sources	\$ 73,665,185	\$ 601,668	\$ 14,398,755	\$ 4,562,838	\$ 93,228,446
5800	State program revenues	71,456,252	50,371	371,770	2,280,677	74,159,070
5900	Federal program revenues	4,519,236	10,347,955	-	14,223,051	29,090,242
5020	Total revenues	149,640,673	10,999,994	14,770,525	21,066,566	196,477,758
Expenditures						
Current:						
0011	Instruction	76,811,173	-	-	11,778,149	88,589,322
0012	Instructional resources and media services	891,993	-	-	61,950	953,943
0013	Curriculum and instructional staff development	3,802,530	-	-	3,539,917	7,342,447
0021	Instructional leadership	2,849,712	-	-	1,825,175	4,674,887
0023	School leadership	9,486,508	-	-	739,874	10,226,382
0031	Guidance, counseling, and evaluation services	4,376,020	-	-	1,186,502	5,562,522
0032	Social work services	805,292	-	-	291,186	1,096,478
0033	Health services	1,149,180	-	-	74,663	1,223,843
0034	Student transportation services	3,344,683	-	-	-	3,344,683
0035	Food services	-	9,983,728	-	438,922	10,422,650
0036	Extracurricular activities	4,045,867	-	-	747,986	4,793,853
0041	General administration	4,642,273	-	-	28	4,642,301
0051	Plant maintenance and operations	15,161,852	-	-	553,493	15,715,345
0052	Security and monitoring services	2,536,159	-	-	3,239	2,539,398
0053	Data processing services	3,618,400	-	-	8,350	3,626,750
0061	Community services	882,430	-	-	783,658	1,666,088
Debt service:						
0071	Principal	325,000	-	6,700,000	-	7,025,000
0072	Interest	27,937	-	6,791,306	-	6,819,243
0073	Bond issuance cost and fees	-	-	5,650	-	5,650
Capital outlay:						
0081	Facilities acquisition, construction, and improvements	316,816	-	-	-	316,816
Intergovernmental:						
0093	Payments to fiscal agent/member districts of shared services arrangements	693,344	-	-	55,711	749,055
0095	Payments related to Juvenile Justice Alternative Education Program	514,035	-	-	-	514,035
0097	Payments to tax increment fund	6,674,815	-	1,175,424	-	7,850,239
0099	Other intergovernmental charges	839,620	-	-	-	839,620
6030	Total expenditures	143,795,639	9,983,728	14,672,380	22,088,803	190,540,550
1100	Excess (deficiency) of revenues over (under) expenditures	5,845,034	1,016,266	98,145	(1,022,237)	5,937,208
Other Financing Sources (Uses)						
7915	Transfers in	-	-	47,209	628,403	675,612
8911	Transfers out	(628,403)	-	-	(47,209)	(675,612)
	Total other financing sources (uses)	(628,403)	-	47,209	581,194	-
1200	Net change in fund balances	5,216,631	1,016,266	145,354	(441,043)	5,937,208
0100	Fund balances, beginning	44,021,676	2,806,177	3,911,753	1,083,880	51,823,486
3000	Fund balances, ending	\$ 49,238,307	\$ 3,822,443	\$ 4,057,107	\$ 642,837	\$ 57,760,694

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

Waco Independent School District

Exhibit C-2R

**Reconciliation of Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended August 31, 2019**

Total net changes in fund balances - Governmental Funds (Exhibit C-2) \$ 5,937,208

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	\$ 1,695,361	
Depreciation expense	<u>(8,051,915)</u>	(6,356,554)

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments, and dispositions) is a decrease to net position. (7,145)

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. (457,683)

Repayment of bond and note principal is an expenditure in the governmental funds. The repayment reduces long-term liabilities in the statement of net position. 7,025,000

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	\$ 19,309	
Interest accreted on capital appreciation bonds	(38,162)	
Amortization of bond premiums	1,202,884	
Amortization of charge on refunding	<u>(889,947)</u>	294,084

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 increase	\$ 14,649,504	
Deferred inflows increase	(208,866)	
Net pension liability increase	<u>(18,726,925)</u>	(4,286,287)

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	\$ 4,372,728	
Deferred inflows increase	(256,845)	
Net other post-employment benefits liability increase	<u>(4,171,477)</u>	(55,594)

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. 1,820,913

Changes in net position of governmental activities (Exhibit B-1)	<u><u>\$ 3,913,942</u></u>
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Waco Independent School District
Statement of Net Position
Proprietary Fund
August 31, 2019

Exhibit D-1

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Assets	
Current assets:	
Due from other funds	\$ 3,038,181
Other receivables	512,525
Prepayments	<u>185,000</u>
Total assets	<u>3,735,706</u>
Liabilities	
Current liabilities:	
Accounts payable	131,562
Short term claims payable	<u>877,343</u>
Total liabilities	<u>1,008,905</u>
Net Position	
Unrestricted net position	<u>2,726,801</u>
Total net position	<u><u>\$ 2,726,801</u></u>

Waco Independent School District

Exhibit D-2

Statement of Revenues, Expenses, and Changes in Net Position**Proprietary Fund****Year Ended August 31, 2019**

	Governmental Activities
	Internal Service Fund
Operating revenues:	
Assessments to other funds	\$ 9,628,329
Employee contributions	2,968,259
Rebates on prescription drugs	<u>711,193</u>
Total operating revenues	<u>13,307,781</u>
Operating expenses:	
Contracted administrative services	1,141,806
Reinsurance	1,304,106
Claims expense	<u>9,040,956</u>
Total operating expenses	<u>11,486,868</u>
Change in Net Position	1,820,913
Net position:	
Net position, beginning	<u>905,888</u>
Net position, ending	<u><u>\$ 2,726,801</u></u>

Waco Independent School District
Statement of Cash Flows
Proprietary Fund
For the Year Ended August 31, 2019

Exhibit D-3

	Governmental Activities
	Internal Service Fund
Cash Flows from Operating Activities	
Cash received from assessments to other funds	\$ 7,967,957
Cash received from employee contributions	2,968,259
Cash received from rebates on prescription drugs	711,193
Cash received from reinsurance	206,369
Cash payments for contracted administrative services	(1,114,501)
Cash payments for reinsurance	(1,303,921)
Cash payments for claims	(9,435,356)
Net cash provided by operating activities	-
Net increase in cash and cash equivalents	-
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	\$ -
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	\$ 1,820,913
Effects of increases and decreases in current assets and liabilities:	
Increase in receivables	(1,588,779)
Decrease in prepaid expenses	5,000
Increase in accounts payable	54,378
Decrease in claims liability	(291,512)
Net cash provided by operating activities	\$ -

Waco Independent School District
Statement of Net Position
Fiduciary Funds
August 31, 2019

Exhibit E-1

	Private Purpose Trust Fund	Agency Fund
Assets		
Investments	\$ 14,825	\$ -
Accrued interest	218	-
Due from other funds	329	69,479
Total assets	<u>15,372</u>	<u>\$ 69,479</u>
Liabilities		
Accounts payable	-	\$ 304
Due to student groups	-	69,175
Total liabilities	<u>-</u>	<u>\$ 69,479</u>
Net Position		
Restricted for scholarships and awards	<u>15,372</u>	
Total net position	<u>\$ 15,372</u>	

Waco Independent School District
Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended August 31, 2019

Exhibit E-2

	<u>Private Purpose Trust Fund</u>
Additions:	
Earnings from investments	\$ 169
Total additions	<u>169</u>
Deductions:	
Scholarships and awards granted	<u>50</u>
Total deductions	<u>50</u>
Change in net position	119
Net position:	
Restricted for scholarships and awards	
Net position, beginning	<u>15,253</u>
Net position, ending	<u><u>\$ 15,372</u></u>

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

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. See Note 9 for current balances on the lease revenue bonds.

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, 2019

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 so that only the net amount is included as transfers in the governmental activities column.

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, 2019

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.

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 types:

Private purpose trust fund - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's private purpose trust fund(s) are used to account for resources legally held in trust for scholarships to be awarded to current and former students for post-secondary education and student awards for attendance.

Agency fund - The District accounts for resources held for others in a custodial capacity in an agency fund. The fund is used to account for assets held by the District as an agent for student organizations. Since agency funds are custodial in nature, they do not involve the measurement of operations.

The fund financial statements provide information about the District’s funds, including its fiduciary funds 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, 2019

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 60 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, 2019

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 private-purpose trust 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. Agency funds have no measurement focus but utilize the *accrual* basis of accounting for reporting its assets and liabilities.

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.

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.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

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. 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. 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.

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. 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.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

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	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:

- 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.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

- 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 includes a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position 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.

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

Pension liability

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.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

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.

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.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

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.

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.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

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, committed, or assigned fund balances, as appropriate.

At August 31, 2019 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	Assigned Fund Balance
General Fund	\$ -	\$ 2,432,404	\$ -
National School Breakfast & Lunch Fund	195,332	-	-
Nonmajor Governmental Funds	-	-	2,941
	<u>\$ 195,332</u>	<u>\$ 2,432,404</u>	<u>\$ 2,941</u>

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2019

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 as approved by TEA. 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, 2019, the combined balance of cash, savings and time deposit accounts with the District's depository financial institution was \$6,528,381. District funds are insured by full Federal Deposit Insurance Corporation (FDIC) coverage up to \$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 \$250,000

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.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

For fiscal year 2019, the District invested in certificates of deposits (direct purchase bank issue and brokered) and other FDIC insured deposits, commercial paper, public funds investment pools, U.S. Government Agency securities.

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, 2019 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, 2019, the District's governmental activities cash, cash equivalents, and investments, with respective maturities and credit rating are as follows:

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

Type of Investment	Book Value	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Cash and cash equivalents:					
Cash on hand	\$ 27,470	\$ -	0.0%		
Cash in depository	4,525,599	-	6.9%		
Investment pools measured at a amortized cost:					
Texas DAILY	116,563	-	0.2%	34	AAAm*
TexPool	10,868,124	-	16.5%	38	AAAm*
Investments subject to fair value, not subject to level reporting:					
Lone Star	6,677,249	-	10.2%	27	AAAf**
Texas Class	4,820,706	-	7.3%	50	AAAm*
Texas TERM	2,475,000	-	3.8%	346	AAAf**
Money market funds, ANOVA	9,961,358	-	15.2%		
Total cash and cash equivalents	39,472,069	-	60.1%		
Investments:					
Investments measured at cost:					
Certificates of deposit	15,210,001	-	23.2%	365	Not rated***
Investments measured at fair value, subject to level reporting:					
Commercial paper	4,979,000	4,970,500	7.6%	244	A1*
Federal Farm Credit Bank	6,012,990	6,012,990	9.2%	365	AA+*
Total investments	26,201,991	10,983,490	39.9%		
Total value	\$ 65,674,060	\$ 10,983,490	100.0%		
Portfolio weighted average maturity				162	
* Standard & Poor's Rating					
** Fitch Rating					
*** FDIC insured					

Investment pools are measured at amortized cost or fair value and are exempt from level reporting. Certificates of deposit are measured at cost. U.S. Government Agency Securities and commercial paper are 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, an *Insured Cash Shelter Account*, 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 *Texas TERM 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.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

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

Through the *AnovaFund money market* program, the District maintains interest-bearing on-demand deposits. The program offered by Anova Financial Corporation, invests funds at financial institutions throughout the U.S. The District has entered into with Anova 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. Funds are deposited through the AnovaFunds Banking Network. 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 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. 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 Lone Star 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 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. The 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.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

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 Tennessee 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' and 'AAAf' by Standard and Poor's and Fitch, respectively.

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, 2019, is included in investment earnings as follows:

Investment earnings	\$ 1,556,997
Net increase in fair value of investments	<u>76,712</u>
Total investment earnings	<u><u>\$ 1,633,709</u></u>

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

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	\$ 70,135,775	\$ -	\$ 14,044,644	\$ -	\$ 84,180,419
Other tax related income	710,606	-	147,021	-	857,627
SSA revenue from member districts	32,955	-	-	1,841,912	1,874,867
Services to other districts	-	-	-	321,074	321,074
Tuition and fees	322,987	-	-	973,547	1,296,534
Investment income	1,426,404	25,373	207,090	215	1,659,082
Rental income	216,858	-	-	-	216,858
Gifts and bequests	7,554	-	-	640,177	647,731
Insurance recoveries	38,935	7,981	-	-	46,916
Food sales	-	545,528	-	-	545,528
Extracurricular activities	438,590	-	-	133,307	571,897
Other charges for services	334,521	22,786	-	652,606	1,009,913
	<u>\$ 73,665,185</u>	<u>\$ 601,668</u>	<u>\$ 14,398,755</u>	<u>\$ 4,562,838</u>	<u>\$ 93,228,446</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, 2018 was \$8,729,411,594. After deductions of all exemptions and reductions provided by law, the 2018 tax levy was based on a net taxable value of \$6,070,224,275.

The tax rates assessed for the year ended August 31, 2019, to finance general fund operations and the payment of principal and interest on long-term debt were \$1.17000 and \$0.23408 per \$100 valuation, respectively, for a total rate of \$1.40408 per \$100 valuation. Property tax revenues are considered available when collected. Current tax collections for the fiscal year ended August 31, 2019, were 99.0% 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 \$1,966,252 and \$447,864, 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.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

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	Debt Service Fund	Non-major Governmental Funds	Total
Property taxes, delinquent	\$3,227,337	\$ -	\$ 700,365	\$ -	\$ 3,927,702
Due from other governments					
Federal	10,572	-	-	-	10,572
State	199,686	541,065	59,101	3,437,194	4,237,046
Other governments	-	-	-	836,007	836,007
Accrued interest	232,984	6,540	460	-	239,984
Other receivables	389,232	3,554	-	152,017	544,803
Gross receivables	4,059,811	551,159	759,926	4,425,218	9,796,114
Less: Allowance for uncollectible taxes	(1,966,252)	-	(447,864)	-	(2,414,116)
Net receivables	<u>\$2,093,559</u>	<u>\$ 551,159</u>	<u>\$ 312,062</u>	<u>\$ 4,425,218</u>	<u>\$ 7,381,998</u>

Amounts due from other governments in the general fund are primarily for the Medicaid Assistance Program and the Foundation School Program. 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 private interest trust fund 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.

A summary of unearned revenue by fund follows:

	Unearned Revenue
General Fund	
School Health and Related Services	\$ 6,732
National School Breakfast and Lunch Fund	
Grant funds received prior to meeting eligibility requirements	\$ 98,348
Other governmental funds	
Grant funds received prior to meeting eligibility requirements	857,809
Total	<u>\$ 962,889</u>

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

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, 2019, consisted of the following:

<u>Funds</u>	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 8,550,519	\$ 5,903,665
National School Breakfast and Lunch fund	193,449	-
Debt Service fund	-	3,438,076
Other non-major governmental funds	780,156	3,290,372
Internal Service fund	3,038,181	-
Private Purpose Trust fund	329	-
Agency funds	69,479	-
Total interfund balances	<u>\$12,632,113</u>	<u>\$12,632,113</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, 2019, operating transfers were made between the following funds:

<u>Funds</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ -	\$ 628,403
Debt Service fund	47,209	-
Other non-major governmental funds:		
Greater Waco Advanced Academies	628,403	-
Capital Projects Fund - Series 2008	-	13,392
Capital Projects Fund - Series 2009	-	33,817
Total operating transfers	<u>\$ 675,612</u>	<u>\$ 675,612</u>

During the fiscal year ended August 31, 2019, the District made the following one-time transfers:

- Transfers totaling \$628,403 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 \$624,244 and \$4,159, respectively.
- Transfers totaling \$47,209 were transferred from remaining Capital Projects Funds balance to pay debt service on related bond issues.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

Note 8. Capital Assets

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

	Balance September 1, 2018	Additions	Retirements and Transfers	Balance August 31, 2019
<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	284,046,700	213,489	-	284,260,189
Furniture, equipment, and vehicles	34,884,721	1,481,872	(684,220)	35,682,373
Total capital assets, being depreciated	318,931,421	1,695,361	(684,220)	319,942,562
Less accumulated depreciation for:				
Buildings and improvements	112,569,724	6,029,698	-	118,599,422
Furniture, equipment, and vehicles	24,963,057	2,022,217	(677,075)	26,308,199
Total accumulated depreciation	137,532,781	8,051,915	(677,075)	144,907,621
Total capital assets, being depreciated, net	181,398,640	(6,356,554)	(7,145)	175,034,941
Governmental activities capital assets, net	\$ 190,709,412	\$ (6,356,554)	\$ (7,145)	\$ 184,345,713

Depreciation expense of the governmental activities for the year ended August 31, 2019 was charged to the functions as follows:

Function	Description	Amount
11	Instruction	\$ 4,713,202
12	Instructional resources and media services	191,353
13	Curriculum and instructional staff development	14,599
21	Instructional leadership	104,762
23	School leadership	99,636
31	Guidance, counseling, and evaluation services	29,283
32	Social work services	600
33	Health services	27,133
34	Student transportation services	526,871
35	Food services	528,568
36	Extracurricular activities	770,997
41	General administration	134,443
51	Plant maintenance and operations	386,931
52	Security and monitoring services	109,202
53	Data processing services	385,250
61	Community services	29,085
	Total depreciation expense - governmental activities	<u>\$ 8,051,915</u>

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

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 maintenance tax notes 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, 2019, was as follows:

	Balance September 1, 2018	(Provisions) and Additions	Reductions	Balance August 31, 2019	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 155,130,000	\$ -	\$ (6,700,000)	\$ 148,430,000	\$ 6,340,000
Lease revenue bonds	670,000	-	(325,000)	345,000	345,000
Premiums	19,278,383	-	(1,202,885)	18,075,498	-
Accumulated accretion	813,962	38,163	-	852,125	-
Total bonds payable	175,892,345	38,163	(8,227,885)	167,702,623	6,685,000
Net pension liability	31,853,985	23,936,713	(5,209,788)	50,580,910	-
Other post-employment benefits liability	57,942,061	8,273,928	(4,102,451)	62,113,538	-
Total long-term liabilities	<u>\$ 265,688,391</u>	<u>\$ 32,248,804</u>	<u>\$ (17,540,124)</u>	<u>\$ 280,397,071</u>	<u>\$ 6,685,000</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 \$148,430,000 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, 2019

General obligation bonds outstanding at August 31, 2019 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	2,560,000	-	(1,795,000)	765,000
2013	0.28%-4.00%	9,635,000	2020	3,380,000	-	(1,650,000)	1,730,000
2014	2.00%-4.00%	8,320,000	2025	8,105,000	-	(10,000)	8,095,000
2014 (CAB)	2.70%	150,000	2023	150,000	-	-	150,000
2015	2.00%-5.00%	96,730,000	2038	94,815,000	-	(3,245,000)	91,570,000
2016	2.00%-5.00%	47,120,000	2038	46,075,000	-	-	46,075,000
Totals -- bonds payable at original par value				155,130,000	-	(6,700,000)	148,430,000
Deferred amounts:							
For issuance premiums				19,278,383	-	(1,202,885)	18,075,498
For accreted interest				813,962	38,163	-	852,125
Totals -- bonds payable, net				<u>\$ 175,222,345</u>	<u>\$ 38,163</u>	<u>\$ (7,902,885)</u>	<u>\$ 167,357,623</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
2020	\$ 6,340,000	\$ 7,210,063	\$ 13,550,063
2021	7,420,000	6,263,500	13,683,500
2022	7,750,000	5,892,800	13,642,800
2023	5,865,000	5,720,600	11,585,600
2024	5,640,000	5,219,850	10,859,850
2025-2029	33,480,000	22,046,800	55,526,800
2030-2034	41,685,000	14,151,900	55,836,900
2035-2038	40,250,000	4,420,000	44,670,000
	<u>148,430,000</u>	<u>\$ 70,925,513</u>	<u>\$219,355,513</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, 2019.

Series	Accreted Value	Original Amount Outstanding	Ending Value Accreted Interest
Unlimited Tax Refunding Bonds, Series 2006	\$ 644,767	\$ 29,487	\$ 674,254
Unlimited Tax Refunding Bonds, Series 2014	169,195	8,676	177,871
Total	<u>\$ 813,962</u>	<u>\$ 38,163</u>	<u>\$ 852,125</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, 2019. 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 2018 tax year was \$0.23408.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

As of August 31, 2019, the District had no authorized but unissued unlimited tax bonds.

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. Debt service requirements for the lease revenue bonds are as follows:

Year Ended August 31,	Principal	Interest	Total
2020	\$ 345,000	\$ 9,488	\$ 354,488
	<u>\$ 345,000</u>	<u>\$ 9,488</u>	<u>\$ 354,488</u>

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:

Issue Date	Amount of Issue	Issue Name	Next Report
6/15/2016	\$ 47,172,000	Unlimited Tax Refunding Bonds, Series 2016	7/14/2021
4/28/2015	97,985,000	Unlimited Tax Refunding Bonds, Series 2015	4/19/2020
10/21/2014	8,470,000	Unlimited Tax Refunding Bonds, Series 2014	10/21/2024

As of August 31, 2019, 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, 2019

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). The defined benefit plan is 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 state legislature has the authority to establish and amend 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

TRS issues a publicly-available, audited Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes and required supplementary information for the pension plan. That report is available online at www.trs.texas.gov, click "About TRS", "Publications", "Financial Reports". The separately issued GASB 67 actuarial valuation is available under "About TRS", "Publications", "Actuarial Valuation Reports". Or the report may be obtained 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.

Contributions

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

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2015 thru 2018. The 84rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2019. Rates for such plan fiscal years are as follows:

	Contribution Rates		
	2019	2018	2017
Member	7.7%	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%	6.8%
Employers/District	6.8%	6.8%	6.8%

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

Employer Contributions	\$ 3,237,191
Member Contributions	\$ 7,548,581
Non-Employer Contributing Entity On-Behalf Contributions (State)	\$ 4,669,614

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.

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.

Waco Independent School District

Notes to the Financial Statements
For the Year Ended August 31, 2019

Actuarial assumptions

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

Valuation date	August 31, 2017, rolled forward to August 31, 2018
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Single discount rate	6.907%
Long-term expected rate	7.25%
Municipal bond rate	3.69%*
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 source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal Go AA Index".*

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

Discount rate

The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

Best estimates of arithmetic real rates of return for each major asset class included in the TRS's target asset allocation as of August 31, 2018 are summarized as follows:

Asset Class	Target Allocation Percent*	Long-term Expected Arithmetic Real Rate of Return**	Expected Contribution to Long-term Portfolio Returns
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	1.80%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	1.20%	0.00%
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag***			-0.79%
Total	100.00%		7.25%

* Target allocations are based on FY2016 policy model.

** Capital market assumptions come from Aon Hewitt (2017 Q4)

*** The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

Discount rate sensitivity analysis

The following schedule shows the impact of the net pension liability for TRS calculated using the discount rate of 6.907%, as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1-percentage point lower (5.907%) or 1-percentage point greater (7.907%) than the current rate.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Single Discount Rate Assumptions	\$ 76,338,723	\$ 50,580,910	\$ 29,728,434

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At August 31, 2019, the District reported a liability of \$50,580,910 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	\$ 50,580,910
State's proportionate share of the net pension liability associated with the District	<u>76,045,664</u>
Total	<u>\$ 126,626,574</u>

TRS determined the total pension liability using an actuarial valuation performed as of August 31, 2017. The actuarial methods and assumptions were selected by the TRS Board of Trustees based upon analysis and recommendations by the System's actuary. Updated procedures were used to roll forward the total pension liability to August 31, 2018. This is the first year using roll-forward procedures. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.091894400% which was a decrease of 0.007728339% from its proportion measured as of August 31, 2017. The change in the employer's proportion of the net pension liability was primarily due to proportionality adjustments for contributions. Since the proportionality settle-up for the appropriation year (2018) occurs in the following year, the settle-up amounts are excluded from the measurement year (2018) amounts.

Changes since the prior actuarial valuation

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

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

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

For the year ended August 31, 2019, the District recognized pension expense of \$14,983,689 and revenue of \$7,526,494 for support provided by the State.

At August 31, 2019, 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:

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 315,280	\$ 1,241,056
Changes in actuarial assumptions	18,236,855	569,902
Difference between projected and actual investment earnings	-	959,736
Changes in proportion and differences between district contributions and the proportionate share of contributions (cost-sharing plan)	6,354,921	2,309,970
District contributions paid subsequent to the measurement date	3,237,191	
Total	<u>\$28,144,247</u>	<u>\$ 5,080,664</u>

The \$3,237,191 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, 2020.

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
2020	\$ 5,724,216
2021	3,704,515
2022	3,079,085
2023	2,918,837
2024	2,666,763
Thereafter	1,732,976
Total	<u>\$ 19,826,392</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 administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants.

Plan fiduciary net position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. That report is available online at www.trs.texas.gov, click "About TRS", "Publications", "Financial Reports". Or the report may be obtained by writing to TRS at: 1000 Red River Street, Austin, Texas 78701-2698.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

Benefits provided

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

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

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

TRS-Care Plan Premium Rates
Effective January 1, 2018 - December 31, 2019

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

* or surviving spouse

Contributions

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

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

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

	2019	2018	2017
Active employee	0.65%	0.65%	0.65%
Non-employer contribution entity (state)	1.25%	1.25%	1.00%
Employers/District	0.75%	0.75%	0.55%
Federal/private funding remitted by employer	1.25%	1.25%	1.00%

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

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

District contributions	\$ 867,726
Member contributions	637,228
Non-employer contributing entity (state) on-behalf contributions	1,119,656

The State of Texas contributed \$375,291, \$301,050, and \$442,050 in 2019, 2018, and 2017, respectively, for on-behalf payments for Medicare Part D.

In addition to the employer contributions listed above, there is an additional surcharge 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.

Senate Bill 1, Acts of the 85th Legislature, Regular Session, provided a one-time supplemental appropriation in the amount of \$182.6 million to the Teacher Retirement System as the Non-Employer Contributing Entity (NECE) for the fiscal biennium ending August 31, 2019. In the following called Special Session, House Bill 30, transferred an additional \$212 million in one-time, supplemental funding for continued support of the program. One-time supplemental contributions for the fiscal biennium totaled \$394.6 million.

Actuarial Assumptions

A change was made in the measurement date of the total OPEB liability for this fiscal year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total OPEB liability to August 31, 2018. This is the first year using the roll forward methodology.

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality and most of the economic assumptions used in this OPEB valuation were identical to those used in the respective TRS pension valuation.

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, 2019

The following additional actuarial methods and assumptions were employed in the August 31, 2018 actuarial valuation of the total OPEB liability:

Valuation date	August 31, 2017, rolled forward to August 31, 2018
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Discount rate*	3.69%. Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.
Aging factors	Based on plan specific experience
Election rates	Normal retirement: 70% participation prior to age 65 and 75% participation after 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%
Healthcare trend rates	Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and an initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first year trend increase for the Medicare Advantage (medical) premiums reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.
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 2.50%
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Discount rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

Sensitivity of the net OPEB liability

Discount rate

The following schedule shows the impact of the District's proportionate share of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%):

Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumptions		
1% Decrease (2.69%)	Current Single Discount Rate (3.69%)	1% Increase (4.69%)
\$ 73,936,451	\$ 62,113,538	\$ 52,760,852

Healthcare cost trend rates

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% lower or 1% higher than the assumed health-care cost trend rate:

Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions		
1% Decrease (7.5%)	Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
\$ 51,586,305	\$ 62,113,538	\$ 75,978,132

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEBs

At August 31, 2019, the District reported a liability of \$62,113,538 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ 62,113,538
State's proportionate share of the net OPEB liability associated with the District	<u>80,233,292</u>
Total	<u>\$ 142,346,830</u>

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

At August 31, 2018, the employer's proportion of the collective net OPEB liability was 0.124399% which was a decrease of 0.0088433% from its proportion measured as of August 31, 2017.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

Changes since the prior actuarial valuation

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.
- Change of benefit terms since the prior measurement date made effective September 1, 2017 by the 85th Texas Legislature.

For the year ended August 31, 2019, the District recognized OPEB expense of \$3,841,726 and revenue of \$2,918,406 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,296,135	\$ 980,243
Changes of assumptions	1,036,507	18,661,554
Difference between projected and actual earnings on OPEB investments	10,863	-
Changes in proportion and differences between district contributions and proportionate share of contributions	232	4,852,322
District contributions subsequent to measurement date	867,726	-
Totals	<u>\$ 5,211,463</u>	<u>\$24,494,119</u>

\$867,726 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, 2020. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to OPEB will be recognized in OPEB expense as follows:

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

Year ending August 31,	OPEB Expense Amount
2020	\$ 3,048,229
2021	3,048,229
2022	3,048,229
2023	3,050,283
2024	3,051,458
Thereafter	4,903,954
Total	<u>\$ 20,150,382</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, 2019, 2018, and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$375,291, \$301,050, and \$442,050, 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.

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,

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

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 \$538,133 in medical claims and \$73,969 in prescription drugs. The following is a reconciliation of changes in the aggregate liabilities for claims for the year ended August 31, 2019:

	2019	2018
Beginning of the year liability	\$ 771,000	\$ -
Current year claims, including changes in estimates	8,675,702	7,238,417
Claims payments	(8,834,600)	(6,467,417)
End of the year liability	<u>\$ 612,102</u>	<u>\$ 771,000</u>

Workers' compensation

During the year ended August 31, 2019, 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 August 31, 2018, the Fund carries a discounted reserve of \$48,977,531 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2019, 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, 2018, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance.

For the 2018-2019 plan year, the excess coverage insurance policy covers any claim in excess of \$736,092. The Fund performs an evaluation of workers' compensation claims submitted incidents occurring prior to August 31, 2019, and has projected open claims and incurred but not reported claims for all years will cost \$265,241. The District has not significantly reduced insurance coverage during the past three years or had settlements which exceeded coverage.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

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

	2019	2018
Beginning of the year liability	\$ 397,855	\$ 389,973
Current year claims, including changes in estimates	29,196	312,493
Claims payments	(161,810)	(304,611)
End of the year liability	<u>\$ 265,241</u>	<u>\$ 397,855</u>

Auto liability, general liability, and legal liability

During the year ended August 31, 2019, 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, 2018, 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, 2018, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance.

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.

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

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

Member District	Percent of Students	Allocated Expenditures
Axtell	0.08%	\$ 645
Bosqueville	0.21%	1,693
Bruceville-Eddy	0.07%	564
China Spring	0.14%	1,129
Connally	6.61%	53,296
Crawford	0.57%	4,596
La Vega	4.54%	36,605
Lorena	0.01%	81
McGregor	0.28%	2,258
Midway	4.59%	37,009
Moody	1.04%	8,385
Riesel	0.02%	161
Robinson	7.67%	61,842
Waco	73.46%	592,300
West	0.71%	5,725
Total	100.00%	\$ 806,288

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.

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

Member District	Percent of Students	Allocated Expenditures
Aquilla	0.30%	\$ 3,358
Axtell	1.51%	\$ 16,903
Bruceville-Eddy	6.46%	72,313
Chilton	0.30%	3,358
Connally	4.85%	54,291
Covington	0.30%	3,358
Gholson	0.30%	3,358
Lorena	0.61%	6,828
Marlin	0.17%	1,903
Midway	19.06%	213,357
Rapoport Academy	0.30%	3,358
Riesel	0.52%	5,821
Robinson	1.21%	13,545
Rosebud-Lott	0.30%	3,358
Waco	61.70%	690,665
West	0.30%	3,358
Westphalia	0.30%	3,358
Whitney	1.51%	16,903
Total	100.00%	\$ 1,119,393

Waco Independent School District

Notes to the Financial Statements

For the Year Ended August 31, 2019

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, 2019, 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, 2019, the District was party to a construction contract totaling \$277,713 with a remaining commitment of \$50,000 in retainage pending the correction of deficiencies identified on punch list.

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 of Waco does not agree, as part of the final 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. At this point, the transaction has not been recognized in the financial records as the City has yet to identify, transfer, or convey such property for the replacement of the facility 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.

Required Supplementary Information

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, 2019

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variances With Final Budget
		Original	Final		
Revenues					
5700	Local and intermediate sources	\$ 72,900,494	\$ 73,034,604	\$ 73,665,185	\$ 630,581
5800	State program revenues	68,871,510	70,910,309	71,456,252	545,943
5900	Federal program revenues	3,758,900	3,758,900	4,519,236	760,336
5020	Total revenues	145,530,904	147,703,813	149,640,673	1,936,860
Expenditures					
Current:					
0011	Instruction	78,405,899	78,780,448	76,811,173	1,969,275
0012	Instructional resources and media services	914,011	930,234	891,993	38,241
0013	Curriculum and instructional staff development	4,096,791	4,047,747	3,802,530	245,217
0021	Instructional leadership	2,876,962	2,925,608	2,849,712	75,896
0023	School leadership	9,514,027	9,620,603	9,486,508	134,095
0031	Guidance, counseling, and evaluation services	4,255,561	4,612,675	4,376,020	236,655
0032	Social work services	860,087	948,737	805,292	143,445
0033	Health services	1,144,656	1,156,156	1,149,180	6,976
0034	Student transportation services	3,137,736	4,324,836	3,344,683	980,153
0035	Extracurricular activities	4,222,971	4,254,797	4,045,867	208,930
0036	General administration	5,263,728	5,067,942	4,642,273	425,669
0041	Plant maintenance and operations	16,035,565	16,750,001	15,161,852	1,588,149
0051	Security and monitoring services	2,083,131	2,803,649	2,536,159	267,490
0052	Data processing services	2,523,007	4,606,406	3,618,400	988,006
0053	Community services	686,009	971,304	882,430	88,874
Debt service:					
0071	Principal on long-term debt	325,000	325,000	325,000	-
0072	Interest on long-term debt	28,913	28,913	27,937	976
0073	Bond issuance cost and fees	2,000	2,000	-	2,000
Capital outlay:					
0081	Facilities acquisition and construction	-	334,259	316,816	17,443
Intergovernmental:					
0093	Payments to fiscal agent/member districts of shared services arrangements	586,000	693,345	693,344	1
0095	Payments to Juvenile Justice Alternative Education Program	580,000	580,000	514,035	65,965
0097	Payments to tax increment fund	6,756,241	6,756,241	6,674,815	81,426
0099	Other intergovernmental charges	817,600	842,600	839,620	2,980
6030	Total expenditures	145,115,895	151,363,501	143,795,639	7,567,862
1100	Excess (deficiency) of revenues over (under) expenditures	415,009	(3,659,688)	5,845,034	9,504,722
Other Financing Sources (Uses)					
7912	Sale of real and personal property	-	11,908	-	(11,908)
8911	Transfers out	(415,009)	(415,009)	(628,403)	(213,394)
	Total other financing sources	(415,009)	(403,101)	(628,403)	(225,302)
1200	Net change in fund balance	-	(4,062,789)	5,216,631	9,279,420
0100	Fund balance, beginning	40,370,851	44,021,676	44,021,676	-
3000	Fund balance, ending	\$ 40,370,851	\$ 39,958,887	\$ 49,238,307	\$ 9,279,420

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, 2019**

Data Control Codes		Budgeted Amounts		Actual Amounts	Variances
		Original	Final	(GAAP Basis)	With Final Budget
Revenues					
5700	Local and intermediate sources	\$ 666,300	\$ 666,300	\$ 601,668	\$ (64,632)
5800	State program revenues	55,000	55,000	50,371	(4,629)
5900	Federal program revenues	9,455,552	9,455,552	10,347,955	892,403
5020	Total revenues	10,176,852	10,176,852	10,999,994	823,142
Expenditures					
Current:					
0035	Food services	10,176,852	11,417,522	9,983,728	1,433,794
6030	Total expenditures	10,176,852	11,417,522	9,983,728	1,433,794
1200	Net change in fund balance	-	(1,240,670)	1,016,266	2,256,936
0100	Fund balance, beginning	1,896,455	2,806,177	2,806,177	-
3000	Fund balance, ending	\$ 1,896,455	\$ 1,565,507	\$ 3,822,443	\$ 2,256,936

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, 2019****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. Annual budgets are not legally adopted for capital projects funds; however, project budgets are specifically approved by the Board of Trustees. 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 categories or revenue object accounts as defined by the TEA. Expenditures may not legally exceed budgeted appropriations, as amended, at the function level by fund. The administration may amend the budget without Board approval if appropriations are not transferred between functions.

During fiscal year 2019, General Fund appropriations were increased by \$6.2 million. Budgeted appropriations increased for the following: \$0.6 million for the re-appropriation of budgets for renovations and major repairs projects, which were not completed at August 31, 2018; \$0.7 million for bus purchases; \$0.3 million for purchase orders from fiscal year 2018 that were honored in fiscal year 2019. Additionally, the Board of Trustees approved \$2.0 million for projects, including technology and buses, outlined under the District's capital improvement program, \$0.3 million for E-Rate matched projects, \$0.2 million for performance incentives and to meet comparability of services. With the increase in State funding, primarily due to the identification of students requiring special education services, budget was placed to increase revenues and related expenditures in the amount of \$2.1 million.

During fiscal year 2019, National School Breakfast and Lunch Fund appropriations were increased by \$1.2 million. Budgeted appropriations increased for the following: \$0.6 million for the re-appropriation of budgets for renovations projects, equipment and vehicles purchases, which were not completed or received at August 31, 2018. Additionally, excess balances in the amount of \$0.6 million were amended to replace kitchen equipment, vehicles and upgrade serving lines.

Functional expenditures in either fund did not exceed appropriations for the fiscal year ended August 31, 2019.

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0918944%	0.0996227%	0.0982921%	0.1010318%	0.0531259%
District's proportionate share of the net pension liability	\$ 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>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>\$ 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 employee payroll	\$ 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 employee payroll	52.18%	33.11%	40.81%	43.01%	18.19%
Plan fiduciary net position as a percentage of the total pension liability	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.

Waco Independent School District

Exhibit G-4

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

	<u>219</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,237,191	\$ 3,128,330	\$ 3,256,599	\$ 3,122,988	\$ 2,991,594
Contribution in relation to the contractually required contribution	<u>3,237,191</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>
District's covered employee payroll	\$ 98,033,516	\$ 96,935,706	\$ 96,218,234	\$ 91,012,010	\$ 83,034,215
Contributions as a percentage of covered employee payroll	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.

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>2019</u>	<u>2018</u>
District's proportion of the net other post-employment benefits (OPEB) liability	0.1243990%	0.1332423%
District's proportionate share of the net OPEB liability	\$ 62,113,538	\$ 57,942,061
State's proportionate share of the net pension liability associated with the District	<u>80,233,292</u>	<u>70,108,100</u>
Total	<u>\$ 142,346,830</u>	<u>\$ 128,050,161</u>
District's covered employee payroll	\$ 96,935,706	\$ 96,218,234
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	64.08%	60.22%
Plan fiduciary net position as a percentage of the total OPEB liability	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.

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

Exhibit G-6

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 867,726	\$ 829,665
Contribution in relation to the contractually required contribution	<u>867,726</u>	<u>829,665</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 98,033,516	\$ 96,935,706
Contributions as a percentage of covered employee payroll	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.

Waco Independent School District
Notes to the Schedules of District's Pension and OPEB Plans
For the Year Ended August 31, 2019

Note 17. Pension Information

Changes of Benefit Terms

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

Changes of Assumptions

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

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

Note 18. Other Post-Employment Benefits (OPEB)

Changes of Assumptions

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability by \$2.3 billion.
- Change of benefit terms since the prior measurement date made effective September 1, 2017 by the 85th Texas Legislature.

Combining and Other Statements

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. This excludes expendable trusts and major capital projects. These funds utilize the modified accrual basis of accounting.

ESEA, 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.

ESEA, 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.

ESEA, 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.

ESEA, 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.

ESEA, 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.

ESEA, 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.

Other Foundation Program Grants (Fund 48X)

These funds are used to account for grant awards from various other foundations and organizations including the Meadows Foundation, the Laura Bush Foundation, the Rapoport Foundation (including Project Link), and the Adopt-a-School Program.

Baylor University Professional Development Grant (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.

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, 2019

		206	211	224
Data Control Codes		ESEA, Title X, Part C - Education of Homeless Children and Youth	ESEA, Title I, Part A - Improving Basic Programs	IDEA, Part B Formula
Assets				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1240	Receivables from other governments	21,254	1,330,544	536,694
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
Total assets		\$ 21,254	\$ 1,330,544	\$ 536,694
Liabilities				
2110	Accounts payable	\$ 203	\$ 155,594	\$ 95,074
2120	Other current liabilities	-	-	-
2160	Accrued wages payable	2,641	165,461	97,894
2170	Due to other funds	18,410	971,474	343,301
2180	Due to other governments	-	38,015	425
2300	Unearned revenues	-	-	-
Total liabilities		21,254	1,330,544	536,694
Fund Balances				
Committed fund balance:				
3545	Other committed fund balance	-	-	-
3000	Total fund balances	-	-	-
4000	Total liabilities and fund balances	\$ 21,254	\$ 1,330,544	\$ 536,694

225	242	244	255	263	265
IDEA, Part B Preschool	Summer Feeding Program - Texas Department of Agriculture	Career and Technical, Basic Grant	ESEA, Title II, Part A - Teacher and Principal Training and Recruiting	ESEA, Title III, Part A - English Language Acquisition and Enhancement	ESEA, Title IV, Part B - 21st Century Community Learning Centers
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,523	564,987	103,581	195,671	88,759	54,208
-	-	-	-	-	-
-	-	60	-	-	-
<u>\$ 1,523</u>	<u>\$ 564,987</u>	<u>\$ 103,641</u>	<u>\$ 195,671</u>	<u>\$ 88,759</u>	<u>\$ 54,208</u>
\$ -	\$ 41,088	\$ -	\$ 2,953	\$ 65,884	\$ 137
-	-	-	-	-	-
-	12,336	4,098	6,593	2,574	4,860
1,523	245,020	93,254	170,480	20,301	46,651
-	-	6,289	15,645	-	2,560
-	266,543	-	-	-	-
<u>1,523</u>	<u>564,987</u>	<u>103,641</u>	<u>195,671</u>	<u>88,759</u>	<u>54,208</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,523</u>	<u>\$ 564,987</u>	<u>\$ 103,641</u>	<u>\$ 195,671</u>	<u>\$ 88,759</u>	<u>\$ 54,208</u>

Waco Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2019

Data Control Codes		276	289	315
		ESEA, Title I, School Improvement Program Academy Grant	Other Federally Funded Special Revenue Funds	Shared Services Arrangements - IDEA, Part B, Discretionary
	Assets			
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1240	Receivables from other governments	469,916	41,101	4,217
1260	Due from other funds	-	-	-
1290	Other receivables	-	-	-
	Total assets	\$ 469,916	\$ 41,101	\$ 4,217
	Liabilities			
2110	Accounts payable	\$ 1,257	\$ -	\$ 81
2120	Other current liabilities	-	-	-
2160	Accrued wages payable	6,933	-	3,073
2170	Due to other funds	461,726	29,551	1,063
2180	Due to other governments	-	-	-
2300	Unearned revenues	-	11,550	-
	Total liabilities	469,916	41,101	4,217
	Fund Balances			
	Committed fund balance:			
3545	Other committed fund balance	-	-	-
3000	Total fund balances	-	-	-
4000	Total liabilities and fund balances	\$ 469,916	\$ 41,101	\$ 4,217

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	4,241	-	7,946	12,552	61,728
17,336	65,226	32,069	-	-	60,586
-	-	13,130	-	-	-
<u>\$ 17,336</u>	<u>\$ 69,467</u>	<u>\$ 45,199</u>	<u>\$ 7,946</u>	<u>\$ 12,552</u>	<u>\$ 122,314</u>
\$ -	\$ -	\$ 6,799	\$ 2,500	\$ 276	\$ 658
-	-	-	-	-	-
-	-	4,016	-	5,684	27,772
-	-	-	3,737	6,592	-
-	-	-	-	-	-
17,336	69,467	34,384	1,709	-	93,884
<u>17,336</u>	<u>69,467</u>	<u>45,199</u>	<u>7,946</u>	<u>12,552</u>	<u>122,314</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 17,336</u>	<u>\$ 69,467</u>	<u>\$ 45,199</u>	<u>\$ 7,946</u>	<u>\$ 12,552</u>	<u>\$ 122,314</u>

Waco Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2019

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	\$ -	\$ 868,184	\$ -
1240	Receivables from other governments	774,279	-	-
1260	Due from other funds	-	-	-
1290	Other receivables	-	255	24,006
	Total assets	<u>\$ 774,279</u>	<u>\$ 868,439</u>	<u>\$ 24,006</u>
Liabilities				
2110	Accounts payable	\$ 3,972	\$ 44,086	\$ 8,641
2120	Other current liabilities	-	-	-
2160	Accrued wages payable	30,436	-	-
2170	Due to other funds	648,344	181,516	15,365
2180	Due to other governments	-	-	-
2300	Unearned revenues	91,527	-	-
	Total liabilities	<u>774,279</u>	<u>225,602</u>	<u>24,006</u>
Fund Balances				
	Committed fund balance:			
3545	Other committed fund balance	-	642,837	-
3000	Total fund balances	<u>-</u>	<u>642,837</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 774,279</u>	<u>\$ 868,439</u>	<u>\$ 24,006</u>

48X	492	499		699	
Other Foundation Program Grants	Baylor University Professional Development Grant	Other Locally Funded Special Revenue Funds	Total Nonmajor Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 868,184	\$ -	\$ 868,184
-	-	-	4,273,201	-	4,273,201
60,019	29,585	223,825	488,646	291,509	780,155
-	-	114,566	152,017	-	152,017
<u>\$ 60,019</u>	<u>\$ 29,585</u>	<u>\$ 338,391</u>	<u>\$ 5,782,048</u>	<u>\$ 291,509</u>	<u>\$ 6,073,557</u>
\$ 6,666	\$ 25,666	\$ 15,203	\$ 476,738	\$ 241,509	\$ 718,247
-	-	-	-	50,000	50,000
-	3,919	73,067	451,357	-	451,357
-	-	32,065	3,290,373	-	3,290,373
-	-	-	62,934	-	62,934
53,353	-	218,056	857,809	-	857,809
<u>60,019</u>	<u>29,585</u>	<u>338,391</u>	<u>5,139,211</u>	<u>291,509</u>	<u>5,430,720</u>
-	-	-	642,837	-	642,837
-	-	-	642,837	-	642,837
<u>\$ 60,019</u>	<u>\$ 29,585</u>	<u>\$ 338,391</u>	<u>\$ 5,782,048</u>	<u>\$ 291,509</u>	<u>\$ 6,073,557</u>

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

		206	211	224
Data Control Codes		ESEA, Title X, Part C - Education of Homeless Children and Youth	ESEA, 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	89,761	7,892,721	2,684,842
5020	Total revenues	89,761	7,892,721	2,684,842
Expenditures				
Current:				
0011	Instruction	18,892	3,367,861	1,678,265
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	-	2,302,055	2,944
0021	Instructional leadership	70,869	749,696	161,550
0023	School leadership	-	511,840	-
0031	Guidance, counseling, and evaluation services services	-	47,426	842,083
0032	Social work services	-	225,329	-
0033	Health services	-	22,752	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	1,416	-
0041	General administration	-	28	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	1,648	-
0053	Data processing services	-	-	-
0061	Community services	-	662,670	-
Intergovernmental:				
0093	Payments to fiscal agent/member districts of shared services arrangements	-	-	-
6030	Total expenditures	89,761	7,892,721	2,684,842
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
Other Financing Sources (Uses)				
7915	Transfers in	-	-	-
8911	Transfers out	-	-	-
	Total other financing sources (uses)	-	-	-
1200	Net change in fund balances	-	-	-
0100	Fund balances, beginning	-	-	-
3000	Fund balances, ending	\$ -	\$ -	\$ -

225	242	244	255	263	265
IDEA, Part B Preschool	Summer Feeding Program - Texas Department of Agriculture	Career and Technical, Basic Grant	ESEA, Title II, Part A - Teacher and Principal Training and Recruiting	ESEA, Title III, Part A - English Language Acquisition and Enhancement	ESEA, Title IV, Part B - 21st Century Community Learning Centers
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
10,785	438,922	274,112	754,716	269,194	217,861
10,785	438,922	274,112	754,716	269,194	217,861
10,785	-	75,879	-	192,727	-
-	-	-	-	-	-
-	-	332	718,244	74,554	-
-	-	197,901	33,726	-	-
-	-	-	2,746	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,913	-
-	438,922	-	-	-	-
-	-	-	-	-	217,861
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,785	438,922	274,112	754,716	269,194	217,861
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

		276	289	315
Data Control Codes		ESEA, Title I, School Improvement Program Academy Grant	Other Federally Funded Special Revenue Funds	Shared Services Arrangements - IDEA, Part B, Discretionary
Revenues				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	1,127,837	421,166	41,134
5020	Total revenues	1,127,837	421,166	41,134
Expenditures				
Current:				
0011	Instruction	466,600	347,846	41,134
0012	Instructional resources and media services	14,302	-	-
0013	Curriculum and instructional staff development	138,467	73,320	-
0021	Instructional leadership	289,182	-	-
0023	School leadership	7,925	-	-
0031	Guidance, counseling, and evaluation services services	-	-	-
0032	Social work services	64,061	-	-
0033	Health services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	138,961	-	-
0041	General administration	-	-	-
0051	Plant maintenance and operations	(11)	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	8,350	-	-
0061	Community services	-	-	-
Intergovernmental:				
0093	Payments to fiscal agent/member districts of shared services arrangements	-	-	-
6030	Total expenditures	1,127,837	421,166	41,134
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-
Other Financing Sources (Uses)				
7915	Transfers in	-	-	-
8911	Transfers out	-	-	-
	Total other financing sources (uses)	-	-	-
1200	Net change in fund balances	-	-	-
100	Fund balances, beginning	-	-	-
3000	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
\$ -	\$ -	\$ 113,816	\$ -	\$ -	\$ 750,807
-	1,889,025	-	79,767	168,583	55,480
-	-	-	-	-	-
-	1,889,025	113,816	79,767	168,583	806,287
-	1,889,025	-	-	168,583	509,258
-	-	-	-	-	-
-	-	-	76,017	-	-
-	-	-	-	-	-
-	-	-	-	-	196,209
-	-	-	-	-	65,372
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	3,750	-	-
-	-	-	-	-	-
-	-	-	-	-	2,493
-	-	-	-	-	-
-	-	113,816	-	-	-
-	-	-	-	-	32,955
-	1,889,025	113,816	79,767	168,583	806,287
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

		458	461	487
Data Control Codes		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	\$ 1,119,393	\$ 764,523	\$ 88,575
5800	State program revenues	-	-	-
5900	Federal program revenues	-	-	-
5020	Total revenues	1,119,393	764,523	88,575
Expenditures				
Current:				
0011	Instruction	1,051,808	317,806	86,252
0012	Instructional resources and media services	-	47,648	-
0013	Curriculum and instructional staff development	1,850	259	-
0021	Instructional leadership	42,979	-	-
0023	School leadership	-	13,505	-
0031	Guidance, counseling, and evaluation services services	-	-	-
0032	Social work services	-	-	-
0033	Health services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	375,999	2,323
0041	General administration	-	-	-
0051	Plant maintenance and operations	-	4,819	-
0052	Security and monitoring services	-	1,591	-
0053	Data processing services	-	-	-
0061	Community services	-	-	-
Intergovernmental:				
0093	Payments to fiscal agent/member districts of shared services arrangements	22,756	-	-
6030	Total expenditures	1,119,393	761,627	88,575
1100	Excess (deficiency) of revenues over (under) expenditures	-	2,896	-
Other Financing Sources (Uses)				
7915	Transfers in	-	-	-
8911	Transfers out	-	-	-
	Total other financing sources (uses)	-	-	-
1200	Net change in fund balances	-	2,896	-
100	Fund balances, beginning	-	639,941	-
3000	Fund balances, ending	\$ -	\$ 642,837	\$ -

48X	492	499		699	
Other Foundation Program Grants	Baylor University Professional Development Grant	Other Locally Funded Special Revenue Funds	Total Nonmajor Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
\$ 128,486	\$ 119,585	\$ 1,477,438	\$ 4,562,623	\$ 215	\$ 4,562,838
-	-	87,822	2,280,677	-	2,280,677
-	-	-	14,223,051	-	14,223,051
128,486	119,585	1,565,260	21,066,351	215	21,066,566
-	-	1,555,428	11,778,149	-	11,778,149
-	-	-	61,950	-	61,950
-	119,585	32,290	3,539,917	-	3,539,917
-	-	279,272	1,825,175	-	1,825,175
-	-	7,649	739,874	-	739,874
74,180	-	157,441	1,186,502	-	1,186,502
1,796	-	-	291,186	-	291,186
49,998	-	-	74,663	-	74,663
-	-	-	438,922	-	438,922
-	-	7,676	747,986	-	747,986
-	-	-	28	-	28
-	-	149,247	156,548	396,945	553,493
-	-	-	3,239	-	3,239
-	-	-	8,350	-	8,350
2,512	-	4,660	783,658	-	783,658
-	-	-	55,711	-	55,711
128,486	119,585	2,193,663	21,691,858	396,945	22,088,803
-	-	(628,403)	(625,507)	(396,730)	(1,022,237)
-	-	628,403	628,403	-	628,403
-	-	-	-	(47,209)	(47,209)
-	-	628,403	628,403	(47,209)	581,194
-	-	-	2,896	(443,939)	(441,043)
-	-	-	639,941	443,939	1,083,880
\$ -	\$ -	\$ -	\$ 642,837	\$ -	\$ 642,837

Agency Funds

Agency Funds are established to account for assets received and held by the District in the capacity of trustee, agent, or custodian. Expenditures are made only in accordance with the purpose for which assets are received. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Student Activity Fund (Fund 865)

This fund is used to account for the receipt and disbursement of monies from student activity organizations.

Waco Independent School District
Statement of Changes in Assets and Liabilities
Fiduciary Fund - Agency Fund
For the Year Ended August 31, 2019

Exhibit H-3

	Beginning Balance 8/31/18	Additions	Deductions	Ending Balance 8/31/19
Student Activity Fund				
Assets				
Due from other funds	\$ 69,298	\$ 56,456	\$ 56,275	\$ 69,479
Liabilities				
Accounts payable	2,752	112,742	115,190	304
Due to student groups	66,546	127,647	125,018	69,175
Total liabilities	\$ 69,298	\$ 240,389	\$ 240,208	\$ 69,479

Texas Education Agency Required Schedules

Waco Independent School District
Schedule of Delinquent Taxes Receivable
For the Year Ended August 31, 2019

Last Ten Years Ended August 31,	1	2	3
	Tax Rates		Assessed
	Maintenance & Operations	Debt Service	Appraised Value For School Tax Purposes
2010 and prior years	Various	Various	Various
2011	\$ 1.04000	\$ 0.32475	\$ 3,833,148,214
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 (school year under audit)	1.17000	0.23408	5,822,476,266
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, 2018	Current Year's Total Levy	Total Collections		Entire Year's Adjustments	Balance August 31, 2019
		Maintenance & Operations	Debt Service		
\$ 564,788	\$ -	\$ 9,945	\$ 2,062	\$ (84,902)	\$ 467,879
139,565	-	3,697	1,154	(1,903)	132,811
150,515	-	5,087	1,570	(2,787)	141,071
146,644	-	5,908	1,791	(4,309)	134,636
182,706	-	36,427	11,026	21,629	156,882
212,362	-	55,587	16,742	35,152	175,185
254,383	-	80,527	15,830	32,494	190,520
390,645	-	50,345	9,897	(89,355)	241,049
1,106,975	-	423,379	86,847	(177,285)	419,464
-	81,752,225	69,464,873	13,897,724	3,478,580	1,868,208
<u>\$ 3,148,583</u>	<u>\$ 81,752,225</u>	<u>\$ 70,135,775</u>	<u>\$ 14,044,644</u>	<u>\$ 3,207,314</u>	<u>\$ 3,927,703</u>
		<u>\$ 5,874,779</u>	<u>\$ 1,175,423</u>		

Waco Independent School District

Exhibit J-2

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Debt Service Fund
For the Year Ended August 31, 2019

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variances With Final Budget
		Original	Final		
Revenues					
5700	Local and intermediate sources	\$ 14,281,408	\$ 14,281,408	\$ 14,398,755	\$ 117,347
5800	State program revenues	371,778	371,778	371,770	(8)
5020	Total revenues	14,653,186	14,653,186	14,770,525	117,339
Expenditures					
Debt service:					
0071	Principal on long-term debt	6,700,000	6,700,000	6,700,000	-
0072	Interest on long-term debt	6,791,400	6,791,400	6,791,306	94
0073	Bond issuance cost and fees	10,000	10,000	5,650	4,350
Intergovernmental:					
0097	Payments to tax increment fund	1,189,090	1,189,090	1,175,424	13,666
6030	Total expenditures	14,690,490	14,690,490	14,672,380	18,110
1100	Excess (deficiency) of revenues over (under) expenditures	(37,304)	(37,304)	98,145	135,449
Other Financing Sources (Uses)					
7915	Transfers in	-	-	47,209	47,209
7080	Total other financing sources	-	-	47,209	47,209
1200	Net change in fund balance	(37,304)	(37,304)	145,354	182,658
0100	Fund balance, beginning	3,810,796	3,911,753	3,911,753	-
3000	Fund balance, ending	\$ 3,773,492	\$ 3,874,449	\$ 4,057,107	\$ 182,658

**Statistical Section
(Unaudited)**

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)

	2019	2018 ³	2017	2016
Governmental activities				
Net investment in capital assets	\$ 29,669,042	\$ 29,990,868	\$ 28,540,181	\$ 26,434,432
Restricted for debt service	3,177,092	3,154,115	1,906,582	1,840,786
Restricted for federal and state programs	3,822,443	2,806,177	2,251,264	1,728,453
Unrestricted	(54,192,366)	(57,388,891)	26,606,549	30,355,750
Total governmental activities net assets	(17,523,789)	(21,437,731)	59,304,576	60,359,421
Business-type activities ¹				
Unrestricted	-	-	-	-
Total business-type activities net assets	-	-	-	-
Primary government				
Net investment in capital assets	30,583,174	29,990,868	28,540,181	26,434,432
Restricted for federal and state programs	3,822,443	2,806,177	2,251,264	1,728,453
Restricted for debt service	3,177,092	3,154,115	1,906,582	1,840,786
Unrestricted	(54,192,366)	(57,388,891)	26,606,549	30,355,750
Total primary government activities net position	\$ (16,609,657)	\$ (21,437,731)	\$ 59,304,576	\$ 60,359,421

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

2015 ²	2014	2013	2012	2011	2010
\$ 28,878,748	\$ 28,036,887	\$ 29,784,107	\$ 23,918,311	\$ 25,914,119	\$ 23,565,114
-	2,289,616	2,187,110	2,188,527	1,399,335	1,829,866
1,419,771	1,407,414	1,482,934	1,489,347	1,021,690	888,695
30,160,328	42,920,323	34,723,690	36,439,208	31,743,608	30,284,088
60,458,847	74,654,240	68,177,841	64,035,393	60,078,752	56,567,763
-	-	-	-	(269,611)	(83,198)
-	-	-	-	(269,611)	(83,198)
28,878,748	28,036,887	29,784,107	23,918,311	25,914,119	23,565,114
1,419,771	1,407,414	1,482,934	1,489,347	1,021,690	888,695
-	2,289,616	2,187,110	2,188,527	1,399,335	1,829,866
30,160,328	42,920,323	34,723,690	36,439,208	31,473,997	30,200,890
\$ 60,458,847	\$ 74,654,240	\$ 68,177,841	\$ 64,035,393	\$ 59,809,141	\$ 56,484,565

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

	2019	2018 ³	2017	2016
Expenses				
Governmental activities:				
Instruction	\$ 97,204,175	\$ 63,778,397	\$ 92,410,667	\$ 88,611,062
Instructional resource and media services	1,145,653	951,999	1,121,495	1,196,338
Curriculum and instructional staff development	8,191,863	4,118,181	8,340,412	7,509,106
Instructional leadership	5,279,944	2,420,981	4,335,621	4,392,247
School leadership	10,762,453	6,657,882	9,845,156	9,978,219
Guidance, counseling, and evaluation services	5,935,365	3,202,513	5,574,333	5,144,364
Social work services	1,176,663	700,617	941,636	1,417,893
Health services	1,289,858	825,391	1,177,356	1,216,958
Student transportation	3,164,818	3,177,773	2,956,595	2,860,485
Food services	11,095,518	8,678,763	10,769,354	10,492,347
Extracurricular activities	5,693,948	4,374,793	5,449,388	5,051,637
General administration	4,935,156	3,738,000	5,232,469	4,984,938
Plant maintenance and operations	15,921,753	15,301,105	18,573,874	18,452,585
Security and monitoring services	2,550,677	1,875,149	2,095,530	2,222,486
Data processing services	4,025,862	2,548,797	2,981,430	3,045,119
Community services	1,883,438	1,037,951	1,306,982	1,152,542
Interest on long-term debt	6,525,159	6,709,165	6,927,718	6,474,116
Bond issuance cost and fees	5,650	6,700	6,700	514,954
Facilities acquisition, improvements and construction	116,177	1,145	-	-
Payments to fiscal agents/member districts of shared services arrangements	749,055	556,613	522,174	520,899
Payments related to Juvenile Justice Alternative Education Program	514,035	456,901	558,366	410,518
Payments to tax increment zones	7,850,239	6,968,873	5,616,835	4,214,674
Other intergovernmental charges	839,620	832,723	711,202	701,349
Total governmental activities expenses	196,857,079	138,920,412	187,455,293	180,564,836
Business-type activities:				
Enterprise fund - Childcare Center ¹	-	-	-	-
Total business-type activities expenses	-	-	-	-
Total expenses	196,857,079	138,920,412	187,455,293	180,564,836
Program revenues				
Governmental activities:				
Charges for services:				
Instruction	2,942,550	2,616,206	2,245,294	1,719,516
Food services	568,314	632,980	734,826	688,102
Extracurricular activities	813,046	1,054,949	960,344	992,762
General administration	190,180	216,287		
Plant maintenance and operations	365,233	389,512	388,975	366,705
Community services	164,712	146,170	139,676	110,757
Other activities	792,380	651,011	1,232,811	788,737
Operating grants and contributions	43,276,111	9,980,612	40,212,598	41,546,587
Total governmental activities program revenues	49,112,526	15,687,727	45,914,524	46,213,166

Table 2

2015 ²	2014	2013	2012	2011	2010
\$ 77,681,640	\$ 69,789,327	\$ 70,548,505	\$ 69,553,287	\$ 76,640,320	\$ 78,925,567
1,124,801	1,135,530	1,040,805	1,171,223	1,255,640	1,249,717
6,947,353	6,173,202	6,884,856	7,162,676	6,151,716	5,603,503
3,677,116	3,318,806	2,693,158	2,715,340	2,378,751	2,509,080
9,115,358	8,738,412	8,310,370	8,442,081	8,751,249	8,749,357
4,648,929	4,219,053	4,169,755	3,950,581	4,362,036	4,345,391
1,031,823	902,610	362,398	620,481	816,502	895,460
1,102,805	1,033,294	948,578	1,101,021	1,174,658	1,189,010
2,693,602	3,138,533	3,080,299	2,985,457	2,998,759	2,884,105
10,019,785	10,146,039	10,231,923	9,809,566	9,386,899	8,809,409
4,653,098	4,324,813	4,544,834	3,873,666	3,822,090	3,898,871
4,179,447	4,409,243	3,840,553	3,544,327	3,446,312	3,167,326
17,352,111	14,670,240	14,898,553	14,953,331	15,284,945	14,991,829
2,070,750	1,790,388	1,920,229	1,578,323	1,876,331	1,887,790
3,411,040	2,692,333	2,358,120	3,047,696	4,249,789	3,077,680
1,215,064	2,187,539	1,653,751	1,687,808	2,530,039	3,008,672
7,503,739	9,251,908	9,589,096	10,526,975	10,167,623	10,458,490
1,075,983	5,050	158,974	7,050	9,100	6,667
160,135	1,996,941	2,205,186	2,578,887	780,280	274,824
409,664	242,077	156,879	186,303	198,462	272,123
360,740	422,845	556,650	491,733	640,408	677,568
3,534,625	3,061,499	3,393,153	2,839,129	2,594,257	2,532,598
727,905	616,522	597,698	583,310	606,403	640,288
164,697,513	154,266,204	154,144,323	153,410,251	160,122,569	160,055,325
-	-	-	224,795	230,474	85,668
-	-	-	224,795	230,474	85,668
164,697,513	154,266,204	154,144,323	153,635,046	160,353,043	160,140,993
1,448,081	1,016,740	1,014,343	750,855	1,120,182	1,096,977
698,505	692,221	748,295	802,859	767,451	776,992
878,815	993,237	794,470	447,352	565,971	652,022
243,895	368,157	107,856	107,162	132,545	128,366
112,199	111,084	130,337	-	414,565	529,721
745,053	490,417	580,462	459,640	469,655	525,775
40,689,915	35,356,370	36,972,531	40,923,694	45,889,669	47,316,179
44,816,463	39,028,226	40,348,294	43,491,562	49,360,038	51,026,032

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

	2019	2018 ³	2017	2016
Business-type activities:				
Charges for services	-	-	-	-
Operating grants and contributions	-	-	-	-
Total business-type activities program revenues				
Total program revenues	49,112,526	15,687,727	45,914,524	46,213,166
Net (expense)/revenue				
Governmental activities	(147,744,553)	(123,232,685)	(141,540,769)	(134,351,670)
Business-type activity				
Total net expense	(147,744,553)	(123,232,685)	(141,540,769)	(134,351,670)
General revenues				
Governmental activities:				
Property taxes, levied for general purposes	69,781,667	64,060,469	58,783,113	52,444,091
Property taxes, levied for debt service	13,941,068	13,139,700	11,592,463	10,329,819
Grants and contributions not restricted	65,405,082	64,950,166	68,772,790	70,471,901
Unrestricted investment earnings	1,633,709	1,072,854	524,447	244,394
Miscellaneous	883,453	828,848	768,018	708,154
Gain (loss) on sales of capital assets	13,516	33,013	45,093	53,885
Transfers in/out	-	-	-	-
Special Item	-	-	-	-
Total general revenues, transfers, and special item	151,658,495	144,085,050	140,485,924	134,252,244
Business-type activities:				
Transfers in/out	-	-	-	-
Total business-type activities	-	-	-	-
Total primary government	151,658,495	144,085,050	140,485,924	134,252,244
Change in net position:				
Governmental activities	3,913,942	20,852,365	(1,054,845)	(99,426)
Business-type activities	-	-	-	-
Total change in net position	\$ 3,913,942	\$ 20,852,365	\$ (1,054,845)	\$ (99,426)

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 2

2015 ²	2014	2013	2012	2011	2010
-	-	-	117,808	44,061	470
-	-	-	-	-	2,000
-	-	-	117,808	44,061	2,470
44,816,463	39,028,226	40,348,294	43,609,370	49,404,099	51,028,502
(119,881,050)	(115,237,978)	(113,796,029)	(109,918,689)	(110,762,531)	(109,029,293)
-	-	-	(106,987)	(186,413)	(83,198)
(119,881,050)	(115,237,978)	(113,796,029)	(110,025,676)	(110,948,944)	(109,112,491)
45,214,877	42,790,674	41,675,687	39,895,625	39,376,307	39,624,761
13,589,549	12,928,067	12,568,812	12,349,724	12,288,874	12,423,438
65,525,694	62,882,914	61,632,137	61,305,521	60,642,343	63,257,681
88,831	119,105	150,235	196,319	787,439	1,671,840
818,949	702,540	873,017	651,999	731,397	1,889,532
(1,054,382)	2,291,077	612,687	630,002	169,228	59,056
15,000	-	-	(376,598)	-	-
-	-	-	(777,262)	-	-
124,198,518	121,714,377	117,512,575	113,875,330	113,995,588	118,926,308
-	-	-	376,598	-	-
-	-	-	376,598	-	-
124,198,518	121,714,377	117,512,575	114,251,928	113,995,588	118,926,308
4,317,468	6,476,399	3,716,546	3,956,641	3,233,057	9,897,015
-	-	-	269,611	(186,413)	(83,198)
\$ 4,317,468	\$ 6,476,399	\$ 3,716,546	\$ 4,226,252	\$ 3,046,644	\$ 9,813,817

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

	2019	2018	2017	2016
General fund				
Nonspendable	\$ 412,344	\$ 680,007	\$ 684,300	\$ 196,803
Committed	3,002,885	1,273,469	3,487,432	5,448,732
Assigned	-	299,723	1,485,130	1,235,550
Restricted	1,110,137			
Unassigned	44,712,941	41,768,477	39,165,626	39,036,156
Total general fund	<u>\$ 49,238,307</u>	<u>\$ 44,021,676</u>	<u>\$ 44,822,488</u>	<u>\$ 45,917,241</u>
All other governmental funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Capital projects	-	443,939	845,439	1,243,250
Debt service	4,057,107	3,911,753	4,653,605	4,646,144
Federal and state programs	3,822,443	2,806,177	2,251,264	1,728,453
Assigned	642,837			
Committed	-	639,941	548,488	456,582
Total all other governmental funds	<u>\$ 8,522,387</u>	<u>\$ 7,801,810</u>	<u>\$ 8,298,796</u>	<u>\$ 8,074,429</u>

Source: District Financial Statements

¹ Fund balance classifications for fiscal years prior to 2011 have been recast to reflect GASB Statement No. 54 classifications for comparative purposes.

Table 3

2015	2014	2013	2012	2011	2010 ¹
\$ 239,129	\$ 214,094	\$ 221,831	\$ 339,670	\$ 210,959	\$ 250,620
4,878,618	2,812,330	1,668,158	3,755,906	2,228,226	700,065
1,118,207	668,770	1,355,548	1,039,848	499,468	1,013,539
<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>27,072,569</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>	<u>\$ 29,036,793</u>
\$ 142,981	\$ 151,073	\$ 150,453	\$ 178,641	\$ 257,488	\$ 200,488
2,025,445	2,732,183	3,296,127	7,799,994	28,150,212	78,981,020
4,627,553	3,626,685	3,476,956	3,119,528	2,356,500	2,855,367
1,419,771	1,256,341	1,332,481	1,310,706	764,202	688,207
<u>491,049</u>	<u>476,297</u>	<u>417,218</u>	<u>-</u>	<u>-</u>	<u>-</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>	<u>\$ 82,725,082</u>

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

	2019	2018	2017	2016
Revenues				
Local and intermediate sources	\$ 93,228,446	\$ 85,458,408	\$ 77,344,586	\$ 69,684,244
State program revenues	74,159,070	72,918,940	78,642,333	80,156,138
Federal program revenues	29,090,242	27,467,542	28,926,389	29,186,936
Total revenues	196,477,758	185,844,890	184,913,308	179,027,318
Expenditures				
Current:				
Instruction	88,589,322	85,894,552	86,373,466	80,287,130
Instructional resources and media services	953,943	943,618	930,660	918,932
Curriculum and instructional staff development	7,342,447	7,287,411	7,679,307	7,220,416
Instructional leadership	4,674,887	4,171,826	3,972,383	4,134,042
School leadership	10,226,382	9,769,100	9,521,555	9,454,571
Guidance, counseling, and evaluation services	5,562,522	5,131,429	5,252,786	4,900,067
Social work services	1,096,478	1,089,475	911,831	1,368,352
Health services	1,223,843	1,160,302	1,135,012	1,132,468
Student transportation services	3,344,683	4,703,866	3,201,247	2,788,283
Food services	10,422,650	10,005,654	9,935,592	9,995,417
Extracurricular activities	4,793,853	5,224,859	5,116,060	4,411,489
General administration	4,642,301	4,781,082	5,019,628	4,693,069
Plant maintenance and operations	15,715,345	17,002,432	18,574,278	18,051,929
Security and monitoring services	2,539,398	2,088,241	2,052,257	2,096,265
Data processing services	\$ 3,626,750	\$ 2,720,092	\$ 2,687,285	\$ 3,083,693
Community services	1,666,088	1,437,425	1,217,550	1,103,584
Debt service:				
Principal	7,025,000	4,975,000	6,695,000	7,440,001
Interest	6,819,243	8,945,604	7,204,145	7,472,809
Bond issuance cost and fees	5,650	6,700	6,700	514,954
Capital outlay:				
Facilities acquisition and construction	316,816	1,035,883	937,327	380,248
Intergovernmental:				
Payments to fiscal agent/member districts SSA	749,055	556,613	522,174	520,899
Payments to Juvenile Justice Alternative Education Program	514,035	456,901	558,366	410,518
Payments to tax increment zone	7,850,239	6,968,874	5,616,835	4,214,674
Other intergovernmental charges	839,620	832,723	711,202	701,349
Total expenditures	190,540,550	187,189,662	185,832,646	177,295,159
Excess (deficiency) of revenues over (under) expenditures	5,937,208	(1,344,772)	(919,338)	1,732,159
Other Financing Sources (Uses)				
Refunding bonds issued	-	-	-	47,120,000
Issuance of capital related debt	-	-	-	-
Sale of real and personal property	-	46,974	48,952	61,135
Transfers in	675,612	800,696	1,543,542	1,928,616
Premium on bonds issued	-	-	-	11,068,981
Other sources	-	-	-	-
Transfers out	(675,612)	(800,696)	(1,543,542)	(1,928,616)
Payment to refunded bond escrow agent	-	-	-	(57,680,816)
Other uses	-	-	-	-
Total other financing sources (uses)	-	46,974	48,952	569,300
Net change in fund balances	\$ 5,937,208	\$ (1,297,798)	\$ (870,386)	\$ 2,301,459
Debt service as a percentage of noncapital expenditures	7.3%	7.5%	7.5%	8.7%

Source: District Financial Statements

Table 4

2015	2014	2013	2012	2011	2010
\$ 64,420,380	\$ 59,895,256	\$ 59,882,644	\$ 56,258,857	\$ 57,050,481	\$ 58,433,105
74,881,477	72,005,696	71,339,699	72,753,009	71,028,270	73,797,491
30,879,002	25,785,150	26,293,477	28,920,452	34,969,913	35,646,060
170,180,859	157,686,102	157,515,820	157,932,318	163,048,664	167,876,656
73,544,308	65,773,712	66,734,401	66,342,246	74,634,180	76,341,646
871,303	956,203	875,023	1,029,528	1,204,136	1,158,153
7,090,487	6,158,827	6,881,577	7,171,052	6,147,821	5,598,372
3,644,096	3,215,002	2,585,326	2,611,125	2,362,380	2,496,043
9,090,220	8,649,180	8,231,601	8,372,833	8,707,529	8,677,949
4,710,930	4,192,971	4,146,376	3,933,278	4,349,724	4,325,102
1,055,551	902,275	362,398	622,450	816,380	894,741
1,081,972	1,008,098	926,641	1,079,048	1,159,691	1,167,524
2,054,638	2,938,064	2,819,384	2,608,287	2,858,125	2,600,676
9,694,328	9,768,020	10,229,538	9,553,206	9,191,448	9,103,296
4,037,392	4,402,364	3,930,221	3,313,797	3,435,169	3,404,102
4,058,668	4,336,176	3,710,319	3,422,487	3,523,976	3,130,058
17,544,931	14,623,438	14,722,369	14,883,979	15,319,552	15,126,779
2,064,819	1,785,731	1,903,102	1,542,511	1,868,029	1,879,055
\$ 3,194,738	\$ 2,519,842	\$ 2,587,351	\$ 3,084,948	\$ 4,120,480	\$ 3,343,468
1,205,695	1,056,774	1,601,757	1,637,012	2,510,535	3,039,744
8,305,002	6,610,000	7,055,000	5,734,917	5,635,075	6,615,000
7,427,240	9,160,240	9,242,115	10,631,175	10,777,419	10,331,796
1,075,983	5,050	158,974	7,050	9,100	159,576
1,812,997	2,286,048	11,767,501	21,620,447	52,127,607	74,881,338
409,664	242,077	156,879	186,303	198,462	272,123
360,740	422,845	556,650	491,733	640,408	677,568
3,534,625	3,061,499	3,393,153	2,839,129	2,594,257	2,532,598
727,905	616,522	597,698	583,310	606,403	640,288
168,598,232	154,690,958	165,175,354	173,301,851	214,797,886	238,396,995
1,582,627	2,995,144	(7,659,534)	(15,369,533)	(51,749,222)	(70,520,339)
106,455,000	-	9,635,000	-	-	7,575,000
-	-	-	-	-	-
331,914	4,098,079	1,307,872	1,418,974	1,645,000	201,000
86,845	110,859	8,946	-	-	-
12,852,104	-	856,820	-	-	656,160
-	-	32,868	-	39,637	1,752,978
(71,845)	(110,859)	(8,946)	(376,598)	-	-
(118,226,829)	-	(10,326,616)	-	-	(8,068,154)
-	-	-	(250,000)	-	-
1,427,189	4,098,079	1,505,944	792,376	1,684,637	2,116,984
\$ 3,009,816	\$ 7,093,223	\$ (6,153,590)	\$ (14,577,157)	\$ (50,064,585)	\$ (68,403,355)
10.1%	10.4%	10.7%	10.8%	10.1%	10.5%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Local sources:				
Property tax	\$ 84,180,419	\$ 77,206,627	\$ 69,736,942	\$ 63,526,571
Other	9,048,027	8,251,781	7,607,644	6,157,673
State sources	74,159,070	72,918,940	78,642,333	80,156,138
Federal sources	<u>29,090,242</u>	<u>27,467,542</u>	<u>28,926,389</u>	<u>29,186,936</u>
	<u>\$196,477,758</u>	<u>\$185,844,890</u>	<u>\$184,913,308</u>	<u>\$179,027,318</u>

Source: District financial records

Table 5

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 58,960,839	\$ 54,953,317	\$ 54,512,088	\$ 52,371,711	\$ 51,649,553	\$ 51,299,117
5,459,541	4,941,939	5,370,556	3,887,146	5,400,928	7,133,988
74,881,477	72,005,696	71,339,699	72,753,009	71,028,270	73,797,491
<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>35,646,060</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>	<u><u>\$167,876,656</u></u>

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

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
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
2010	2,418,030,861	114,028,636	37,424,796	1,183,154,594	124,800,184	643,183,631

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					
Special Inventory	Totally Exempt Property	Total Actual/Market Value	Exemptions and Cap Adjustments	Total Taxable Assessed Value	Tax Rates ¹
\$ 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
25,698,289	893,175,184	5,439,496,175	1,333,114,348	4,106,381,827	1.366350

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>School District</u>				
Maintenance & Operations	\$ 1.170000	\$ 1.170000	\$ 1.170000	\$ 1.170000
Debt Service	<u>0.234080</u>	<u>0.240000</u>	<u>0.230000</u>	<u>0.230000</u>
Waco ISD Total	1.404080	1.410000	1.400000	1.400000
 <u>County</u>				
McLennan	0.485293	0.505293	0.525293	0.535293
McLennan Community College	0.147696	0.150346	0.148898	0.149724
 <u>City</u>				
Waco	0.776232	0.776232	0.776232	0.776232
Woodway	0.450000	0.470000	0.470000	0.470000
Hewitt	0.539677	0.539677	0.539677	0.539677
Beverly Hills	0.484596	0.490145	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

2015	2014	2013	2012	2011	2010
\$ 1.040000	\$ 1.040000	\$ 1.040000	\$ 1.040000	\$ 1.040000	\$ 1.040050
0.313240	0.314800	0.315180	0.320998	0.324750	0.326300
1.353240	1.354800	1.355180	1.360998	1.364750	1.366350
0.535293	0.535293	0.460573	0.442710	0.442710	0.443100
0.149530	0.151530	0.151530	0.152823	0.156306	0.156332
0.776232	0.776232	0.786232	0.786232	0.786232	0.786232
0.470000	0.456900	0.456900	0.456900	0.457200	0.457200
0.539677	0.539677	0.514977	0.514977	0.499828	0.484200
0.452719	0.403647	0.362501	0.326641	0.329848	0.282855
0.100000	0.100000	-	-	-	-

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

Taxpayer	2019		
	Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Value ²
3503 RP Waco Central LP	\$ 60,803,546	1	1.00%
Owens-Brockway Glass Container, Inc.	58,072,048	2	0.95%
Tractor Supply Co of Texas LP	48,622,328	3	0.80%
ONCOR Electric Delivery Co LLC	47,842,670	4	0.78%
CBL/Richland Mall LP	45,109,230	5	0.74%
PCC Waco, LLC	43,476,990	6	0.71%
Madison Loft LLC	42,100,000	7	0.69%
ATMOS Energy/Mid-Tex Distribution	40,874,170	8	0.67%
Texas Farm Bureau Business Corporation	38,775,350	9	0.64%
ACC OP (Speight Ave) LLC	37,500,000	10	0.61%
Inland Western Waco Central LP			
Wal-Mart Stores East LP			
Southwestern Bell Telephone Co			
Baylor University			
Hoppenstein Properties Inc			
Total	<u>\$ 463,176,332</u>		<u>7.59%</u>

Source: McLennan County Tax Office Certified Roll reports

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

² Taxable assessed value equals: \$ 6,100,526,921

³ Taxable assessed value equals: \$ 4,106,381,827

Table 8

2010		
Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Value ³
24,806,118	6	0.60%
36,351,194	5	0.89%
39,509,486	3	0.96%
40,075,097	2	0.98%
21,576,748	9	0.53%
52,357,224	1	1.28%
27,792,307	4	0.68%
20,514,888	8	0.50%
22,331,302	7	0.54%
19,992,117	10	0.49%
<u>\$ 305,306,481</u>		<u>7.43%</u>

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

Fiscal Year Ended August 31,	Total Levy Amount		Levy Loss, Late AG Penalty & Rendition Penalty	Tax Office Adjustment	Taxes Levied for the Fiscal Year
	Before Levy Loss, Late AG Penalty and Rendition Penalty				
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
2010	56,107,548	(3,247,506)	33,093		52,893,135

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	
\$ 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%	
50,482,339	95.44%	816,777	51,299,116	96.99%	

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	
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
2010	208,160,490	3,100,000	2,720,000	213,980,490

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

Ratio of Debt to Taxable Assessed Value ¹	Net Debt per Student ²
2.44%	\$ 9,984
2.86%	10,510
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
5.21%	13,951

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
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
2010	208,160,490	2,855,367	205,305,123

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

Ratio of Debt to Taxable Assessed Value ²	Net Bonded Debt per Student ³
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
5.00%	13,386

Waco Independent School District
Direct and Overlapping Governmental Activities Debt
as of August 31, 2019

<u>Taxing Authority</u>	<u>Gross Debt Outstanding</u>	<u>Percent Overlapping¹</u>
<u>Overlapping</u>		
McLennan County	\$ 41,890,000	38.07%
McLennan Community College	55,350,000	38.07%
City of Waco	461,150,000	64.10%
City of Woodway	15,730,000	7.90%
Subtotal, Overlapping Debt		
 <u>Direct</u>		
Waco Independent School District		
Total Direct and Overlapping Debt		

Source: Municipal Advisory of Texas (Texas MAC), *Estimated Overlapping Debt Statement*, as of August 31, 2019

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.

Table 12

Amount Applicable to School District	
<hr/>	
\$	15,947,523
	21,071,745
	295,597,150
	1,242,670
<hr/>	
	333,859,088
	148,430,000
<hr/>	
\$	482,289,088
<hr/>	

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
2019	-	-	-	-
2018 ³	-	-	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
2010	229,587	122,212	103,248	39,143

¹ Source: Waco Chamber of Commerce

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
-	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%
19,427	7.6%

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

Employer	Type of Business	2018		
		Employees	Rank	Percentage of Total Employment ¹
Baylor University	Higher Education	2,986	1	2.56%
Providence Healthcare Network	Healthcare	2,397	2	2.06%
Waco Independent School District	Public Education	2,373	3	2.04%
Baylor Scott & White Medical Center - Hillcrest	Healthcare	2,177	4	1.87%
H-E-B Stores	Retail	2,000	5	1.72%
Texas State Technical College	Higher Education	1,706	6	1.47%
City of Waco	Local Government	1,578	7	1.36%
Sanderson Farms Inc.	Manufacturing	1,200	8	1.03%
Midway Independent School District	Public Education	1,081	9	0.93%
McLennan County	Local Government	964	10	0.83%
Wal-Mart Stores	Retail			
L3 Technologies	Aerospace			
		<u>18,462</u>		<u>15.87%</u>

Source: Waco Chamber of Commerce and Texas Workforce Commission

¹ Total Employment for 2018: 116,430

² Total Employment for 2009: 113,589

Table 15

2009		
Percentage of Total		
Employees	Rank	Employment ²
2,497	2	2.20%
2,495	3	2.20%
2,525	1	2.22%
1,513	6	1.33%
1,350	8	1.19%
1,515	5	1.33%
1,234	9	1.09%
1,011	10	0.89%
1,455	7	1.28%
1,750	4	1.54%
17,345		15.27%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Professional Staff:				
Teachers	982.2	1,000.2	994.9	941.8
Professional Support:				
Counselor	38.9	38.7	38.8	37.3
Educational Diagnostician	5.4	9.6	9.0	9.1
Librarian	2.3	3.0	3.0	3.9
Music Therapist	0.0	0.0	0.0	0.0
Occupational Therapist	2.0	1.8	2.0	2.0
School Nurse	6.8	5.8	18.9	19.9
LSSP/Psychologist	1.0	3.0	4.0	4.0
Social Worker	6.4	8.9	8.0	11.0
Speech Therapist/Speech-language Pathologist	9.8	11.8	14.0	11.4
Teacher Facilitator	85.0	78.2	72.0	71.6
Athletic Trainer	4.0	4.0	4.0	4.0
Other Campus Professional	43.7	42.6	44.7	34.4
Other Non-instructional District Professional	72.4	66.9	68.6	64.6
Campus Administration:				
Assistant Principal	48.9	49.0	47.9	47.4
Principal	23.0	23.0	24.0	22.0
Registrar	0.0	0.0	0.0	0.0
Central Administration:				
Assistant/Associate/Deputy Superintendent	2.0	3.0	4.0	4.0
Administrative/Instructional Program Director	15.0	15.0	12.0	12.0
Superintendent	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
Total Professional Staff	1,349.8	1,365.5	1,370.8	1,301.4
Educational Aides	392.9	406.8	392.3	297.7
Auxiliary Staff	<u>567.1</u>	<u>571.3</u>	<u>566.3</u>	<u>571.7</u>
Total Personnel	<u>2,309.8</u>	<u>2,343.6</u>	<u>2,329.4</u>	<u>2,170.8</u>

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

Table 16

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
909.4	894.5	905.7	962.2	1,077.3	1,073.0
37.9	38.9	38.4	36.4	39.3	42.1
10.6	9.0	10.0	11.5	18.6	18.1
6.0	7.0	7.0	8.0	9.1	10.0
0.0	0.0	0.0	1.0	1.0	1.0
1.0	2.0	0.0	0.0	0.0	0.0
20.0	20.0	20.1	24.9	25.3	25.1
4.0	4.6	6.6	6.5	2.0	2.0
8.9	5.1	2.0	3.0	3.0	3.0
12.0	12.5	11.7	10.0	9.0	11.6
34.0	28.7	26.2	71.5	65.7	65.9
4.0	4.0	5.0	4.6	2.9	3.0
55.6	49.4	41.7	8.1	1.5	0.0
51.9	43.8	47.0	30.4	34.4	37.3
45.0	44.0	46.5	37.0	41.0	43.8
22.9	23.1	24.0	30.6	29.8	30.0
1.0	1.0	2.0	3.0	0.0	0.0
4.0	0.0	1.0	3.0	3.0	2.0
13.0	22.5	12.0	13.5	13.0	19.0
<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>0.0</u>	<u>1.0</u>
1,242.2	1,211.1	1,207.9	1,266.2	1,375.9	1,387.9
225.8	193.8	158.3	158.3	177.0	204.4
<u>528.6</u>	<u>485.5</u>	<u>499.9</u>	<u>563.0</u>	<u>573.7</u>	<u>565.2</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>	<u><u>2,157.5</u></u>

Waco Independent School District

Operating Statistics

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Enrollment ¹	Operating Expenditures ²	Cost per Student	Percentage Change
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%
2010	15,337	146,409,285	9,546	6.87%

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

Table 17

Government-wide Expenses ³	Cost Per Student	Percentage Change	Teaching Staff (FTE) ¹	Student to Teacher Ratio	Relevant Ages 5 to 17 in Families in Poverty ⁴
196,728,789	13,332	42.25%	982	15.03	100.00%
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%
160,055,325	10,436	8.68%	1,073	14.29	87.42%

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
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
2010	39,250	53,800	45,069

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
\$ 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
43,585	44,525	48,263

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

Building	2019	2018	2017	2016
Elementary Schools				
Alta Vista - 1910				
Square Footage	48,872	47,336	47,336	47,336
Capacity	594	594	594	594
Enrollment	502	498	518	559
Bell's Hill - 2012 (new building)				
Square Footage	115,440	115,440	115,440	115,440
Capacity	900	900	900	900
Enrollment	776	754	775	787
Brook Avenue - 1999				
Square Footage	45,990	45,990	45,990	45,990
Capacity	484	484	484	484
Enrollment	371	372	368	375
Cedar Ridge - 1954				
Square Footage	56,725	56,725	56,725	56,725
Capacity	692	692	692	692
Enrollment	554	567	594	607
Crestview - 1951				
Square Footage	74,813	74,813	74,813	74,813
Capacity	790	790	790	790
Enrollment	536	608	676	767
Dean Highland - 2011 (new building)				
Square Footage	90,775	90,775	90,775	90,775
Capacity	834	834	834	834
Enrollment	727	739	815	793
Hillcrest - 1953				
Square Footage	47,695	47,695	47,695	47,695
Capacity	450	450	450	450
Enrollment	441	430	437	422
J.H.Hines - 2010 (new building)				
Square Footage	79,285	79,285	79,285	79,285
Capacity	680	680	680	680
Enrollment	516	503	519	552
Kendrick - 1952				
Square Footage	52,330	52,042	52,042	52,042
Capacity	582	582	582	582
Enrollment	501	530	542	529
Lake Air Montessori - 1957				
Square Footage	111,198	109,662	109,662	109,662
Capacity	746	746	746	746
Enrollment	775	710	682	654
Mountainview - 1957				
Square Footage	48,427	48,427	48,427	48,427
Capacity	550	550	550	550
Enrollment	375	382	421	434
Parkdale - 1960				
Square Footage	56,382	54,846	54,846	54,846
Capacity	692	692	692	692
Enrollment	669	620	629	608

Table 19

2015	2014	2013	2012	2011	2010
47,336	47,336	47,336	47,336	47,336	47,336
594	594	594	594	594	594
520	514	507	453	460	497
115,440	115,440	115,440	56,725	56,725	56,725
900	900	900	638	638	638
816	808	915	448	495	505
45,990	45,990	45,990	45,990	45,990	45,990
484	484	484	484	484	484
391	424	433	387	350	371
56,725	56,725	56,725	56,725	56,725	56,725
692	692	692	692	692	692
627	667	698	546	557	613
74,813	74,813	74,813	74,813	74,813	74,813
790	790	790	790	790	790
703	714	763	465	526	556
90,775	90,775	90,775	90,775	45,171	45,171
834	834	834	834	506	506
762	792	780	459	291	361
47,695	47,695	47,695	47,695	47,695	47,695
450	450	450	450	450	450
436	434	435	320	286	279
79,285	79,285	79,285	79,285	79,285	48,788
680	680	680	680	680	680
527	520	484	562	635	571
52,042	52,042	52,042	52,042	52,042	52,042
582	582	582	582	582	582
520	526	507	482	487	448
109,662	109,662	109,662	109,662	109,662	109,662
746	746	746	746	746	746
683	698	776	714	745	699
48,427	48,427	48,427	48,427	48,427	48,427
550	550	550	550	550	550
445	445	435	448	464	451
54,846	54,846	54,846	54,846	54,846	44,026
692	692	692	692	692	440
627	567	530	448	423	395

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

Building	2019	2018	2017	2016
Provident Heights - 1999				
Square Footage	45,990	45,990	45,990	45,990
Capacity	484	484	484	484
Enrollment	368	386	419	341
South Waco - 1988				
Square Footage	65,003	65,003	65,003	65,003
Capacity	724	724	724	724
Enrollment	504	526	523	531
West Avenue - 2001				
Square Footage	51,429	51,429	51,429	51,429
Capacity	428	428	428	428
Enrollment	338	382	367	353
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	865	847	891	859
G.W. Carver - 1956				
Square Footage	106,934	106,934	106,934	106,934
Capacity	900	900	900	900
Enrollment	488	477	451	460
Indian Spring (A.J. Moore) - 1970				
Square Footage	139,180	139,180	139,180	139,180
Capacity	700	700	700	700
Enrollment	519	524	583	575
Tennyson - 1960				
Square Footage	114,581	114,581	114,581	114,581
Capacity	1,250	1,250	1,250	1,250
Enrollment	925	930	947	881
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	1,652	1,735	1,725	1,667
Waco - 1961				
Square Footage	346,177	346,177	346,177	346,177
Capacity	2,165	2,165	2,165	2,165
Enrollment	2,053	1,971	1,866	1,809
Alternative Schools				
Brazos High Credit Recovery - 1950				
Square Footage	59,762	59,762	59,762	59,762
Capacity	240	240	240	240
Enrollment	193	223	198	235
McLennan County Challenge Academy - 1968				
Square Footage	55,061	55,061	55,061	55,061
Capacity	75	75	75	75
Enrollment	26	22	37	31

Table 19

2015	2014	2013	2012	2011	2010
45,990	45,990	45,990	45,990	45,990	45,990
484	484	484	484	484	484
404	442	432	404	417	397
65,003	65,003	65,003	65,003	65,003	65,003
724	724	724	724	724	724
555	552	569	673	617	594
51,429	51,429	51,429	51,429	51,429	51,429
428	428	428	428	428	428
365	375	402	371	366	363
128,525	128,525	128,525	89,038	89,038	89,038
1,075	1,075	1,075	575	575	575
910	898	955	483	463	517
106,934	106,934	106,934	106,934	106,934	106,934
900	900	900	900	900	900
473	503	471	453	491	526
139,180	139,180	139,180	139,180	139,180	139,180
700	700	700	700	700	700
579	618	548	714	650	673
114,581	114,581	114,581	114,581	104,935	104,935
1,250	1,250	1,250	1,250	900	900
902	825	821	592	589	616
355,513	355,513	355,513	355,513	355,513	223,115
1,920	1,920	1,920	1,920	1,920	1,700
1,610	1,537	1,659	1,438	1,341	1,307
346,177	346,177	346,177	346,177	346,177	341,075
2,165	2,165	2,165	2,165	2,165	2,165
1,799	1,732	1,654	1,444	1,552	1,637
59,762	59,762	59,762	59,762	59,762	59,762
240	240	240	240	550	550
199	169	144	110	107	91
55,061	55,061	55,061	55,061	55,061	55,061
75	75	75	75	660	660
20	54	74	50	50	41

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

Building	2019	2018	2017	2016
G.L. Wiley Opportunity Center- 1938				
Square Footage	71,196	71,196	71,196	71,196
Capacity	75	75	75	75
Enrollment	69	67	71	117
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	187	204	170	150
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	215	170	200	75

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

2015	2014	2013	2012	2011	2010
71,196	71,196	71,196	71,196	71,196	71,196
75	75	75	75	75	400
77	80	93	66	120	104
61,096	61,096	48,888	48,888	48,888	48,888
350 - 375	350 - 375	550	550	550	550
150	55	-	-	-	-
35,694	35,694	35,694	35,694	35,694	35,694
264	264	264	264	264	264
-	-	-	-	-	-

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**

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 10, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control 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*.

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 16, 2020

**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, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 fiscal year ended August 31, 2019.

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 16, 2020

Waco Independent School District
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2019

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

Title I – 84.010A
 Special Education Cluster 84.027A & 84.173A
 Title II, Principal Preparedness 84.367A
 Texas Title I Priority 84.377A
8. Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs \$770,661
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, 2019**

Prior Year Findings

None Reported

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

Exhibit K-1
(Page 1 of 2)

(1) Federal Grantor/ Pass Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Total Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
<i>Title I, Part A - Improving Basic Programs</i>	84.010A	17610101161914	(10,339)
<i>Title I, Part A - Improving Basic Programs</i>	84.010A	18610101161914	59,949
<i>Title I, Part A - Improving Basic Programs</i>	84.010A	19610101161914	6,102,825
<i>Title I, Part A - Improving Basic Programs</i>	84.010A	20610101161914	506,191
<i>Title I 1003(A) School Improvement Grant</i>	84.010A	18610123161914	6,939
<i>Title I 1003(A) School Improvement Grant</i>	84.010A	19610141161914	111,830
<i>Title I, Transformation Zone Planning Continuation & Implementation</i>	84.010A	196101217110007	1,472,970
Total Program 84.010A			8,250,365
Special Education Cluster (IDEA):			
<i>IDEA - Part B Formula</i>	84.027A	186600011619146600	362,418
<i>IDEA - Part B Formula</i>	84.027A	196600011619146600	2,193,004
<i>IDEA - Part B Formula</i>	84.027A	206600011619146000	250,811
<i>SSA-IDEA-Part B-Discretionary (Deaf)</i>	84.027A	196600111619146673	40,462
<i>SSA-IDEA-Part B-Discretionary (Deaf)</i>	84.027A	206600111619146673	2,497
Total Program 84.027A			2,849,192
<i>IDEA - Part B Preschool</i>	84.173A	186610011619146610	12,127
<i>IDEA - Part B Preschool</i>	84.173A	196610011619146610	93
Total Program 84.173A			12,220
Total Special Education Cluster (IDEA)			2,861,412
<i>Career and Technical - Basic Grant</i>	84.048A	19420006161914	239,312
<i>Career and Technical - Basic Grant</i>	84.048A	20420006161914	39,817
<i>Career and Technical - Basic Grant</i>	84.048A	184200557110043	7,168
Total Program 84.048A			286,297
<i>Texas Education for Homeless Children and Youth</i>	84.196A	194600057110073	93,828
<i>21st Century Community Learning Centers</i>	84.287C	196950247110030	212,961
<i>21st Century Community Learning Centers</i>	84.287C	206950247110030	14,749
Total Program 84.287C			227,710
Passed Through State Department of Education:			
<i>Title III, Part A - English Language Acquisition</i>	84.365A	18671001161914	4,616
<i>Title III, Part A - English Language Acquisition</i>	84.365A	19671001161914	265,991
<i>Title III, Part A - English Language Acquisition</i>	84.365A	20671001161914	10,973
Total Program 84.365A			281,580
<i>Title II, Part A - Supporting Effective Instruction</i>	84.367A	19694501161914	669,943
<i>Title II, Part A - Supporting Effective Instruction</i>	84.367A	20694501161914	36,069
<i>Principal Preparation Grants</i>	84.367A	186945677110025	82,812
Total Program 84.367A			788,824

The Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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

Exhibit K-1
(Page 2 of 2)

(1) Federal Grantor/ Pass Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Total Federal Expenditures
<i>Title IV, Part A - SSAEP</i>	84.424A	19680101161914	419,985
<i>Summer School LEP</i>	84.369A	69551802	6,539
<i>Texas Title I Priority Schools, Cycle 3</i>	84.377A	146107137110014	(238)
<i>Texas Title I Priority Schools, Cycle 3</i>	84.377A	146107137110015	(128)
<i>Texas Title I Priority Schools, Cycle 5, 2018</i>	84.377A	166107307110017	(293)
<i>Texas Title I Priority Schools, Cycle 5, 2019, Year 3</i>	84.377A	166107317110017	1,155,329
<i>Texas Title I Priority Schools, Cycle 5, 2020, Year 4</i>	84.377A	176107327110017	24,776
Total Program 84.377A			1,179,446
TOTAL U.S. DEPARTMENT OF EDUCATION			14,395,986
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster:			
Passed Through State Department of Education - Cash Assistance:			
<i>School Breakfast Program</i>	10.553	71401901	2,816,550
<i>National School Lunch Program</i>	10.555	71301901	7,229,973
Passed Through State Department of Agriculture - Non Cash Assistance:			
<i>National School Lunch Program</i>	10.555	00789	669,890
Total Program 10.555			7,899,863
Passed Through State Department of Agriculture - Cash Assistance:			
<i>Summer Food Service Program (SFSP)</i>	10.559	00789	438,922
Total Child Nutrition Cluster			11,155,335
<i>Child and Adult Care Food Program (CACFP)</i>	10.558	00789	497
TOTAL U.S. DEPARTMENT OF AGRICULTURE			11,155,832
<u>U.S. DEPARTMENT OF TREASURY</u>			
<i>Volunteer Income Tax Assistance Grant (VITA)</i>	21.009	19VITA0059	12,493
TOTAL U.S. DEPARTMENT OF TREASURY			12,493
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Passed Through McLennan County:			
<i>Payments in Lieu of Real Estate Taxes</i>	12.112	N/A	2,064
TOTAL U.S. DEPARTMENT OF DEFENSE			2,064
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Texas Health and Human Services Commission:			
<i>Medical Assistance Program - MAC</i>	93.778	529-07-0157-00230	122,320
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			122,320
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 25,688,695

The Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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

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	\$ 25,688,695
Reserve Officers' Training Corps	109,750
Student Health and Related Services Program (SHARS)	2,854,035
Universal E-rate	<u>437,762</u>
Total federal program revenues - Exhibit C-2	<u><u>\$ 29,090,242</u></u>

Waco Independent School District
Schools FIRST Questionnaire (Unaudited)
For the Year Ended August 31, 2019

Exhibit L-1

SF2	Were there any disclosures in the Annual Financial Report and / or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$ 852,125
SF11	Net pension assets (1920) at fiscal year-end	\$ -
SF12	Net pension liabilities (2540) at fiscal year-end	\$ 50,580,910
SF13	Pension expense (6147) at fiscal year-end, excluding on-behalf pension expense (6144)	-