Waco Independent School District

Annual Financial Reports

For the Year Ended August 31, 2014

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Waco Independent School District
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Introductory Section

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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, 2014 at a meeting of the Board of Trustees of such independent school district on the 22nd day of January, 2015.

Norman Manning

Norman Manning, Board Secretary

Pat Atkins

Pat Atkins, Board President

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

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Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Waco Independent School District:

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Waco Independent School District (the "District") as of and for the year ended August 31, 2014, 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.

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

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

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AICPA

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the financial statements.

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

The introductory section and schedule labeled "unaudited" have 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015 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 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 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.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 12, 2015

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Management's Discussion and Analysis

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As management of the Waco Independent School District (the "District"), we offer readers of the financial statements this narrative, overview, and analysis of the financial activities of the District for the fiscal year ended August 31, 2014. 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 financial statements and the notes to the financial statements. The information contained in these three sections of the report compliment each other.

FINANCIAL HIGHLIGHTS

The following highlight changes in the District's financial position at August 31, 2014:

- On a government-wide basis, total assets exceeded its liabilities by $74,654,240. This amount represents the District's net position of which $28,036,887 is invested in capital assets, net of related debt and $2,289,616 is restricted for debt service. The remaining $44,327,737 is unrestricted and may be used to meet ongoing obligations.
- Total net position for governmental activities increased by $6,476,399 over the prior year with unrestricted net position increasing by $8,121,113.
- As of August 31, 2014, the governmental funds reported combined ending fund balances of $48,680,396, an increase of $7,093,223 compared with the prior year. Of the combined fund balances, $36,734,886 or 75.5 percent is unassigned and available for the discrete purposes for which these funds are collected.
- The District's general fund had an ending fund balance of $40,437,817 at August 31, 2014, of which $36,742,623 was unassigned. The unassigned amount represents 32.7 percent of its annual operating expenditures. The total fund balance increased by $7,523,879 over the prior year with the unassigned fund balance increasing by $7,074,222, reflecting increases in funds committed by the Board of Trustees for special projects, additions, renovations, major repairs, and capital expenditures for equipment.
- The ending fund balance for the National School Breakfast and Lunch Programs was $1,407,414, a decrease of $75,520 over the prior year.
- The District's total long-term debt decreased by $6,501,827. The fund balance reserved for debt service increased by $149,729 to $3,626,685 at August 31, 2014.

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. This report also contains other 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.

<table>
<tr><td rowspan="6">Annual Financial Report</td><td colspan="4">Management's Discussion and Analysis</td></tr>
<tr><td>Government-Wide Financial Statements</td><td colspan="3">Fund Financial Statements</td></tr>
<tr><td>Statement of Net Position</td><td>Governmental Funds Balance Sheet</td><td>Proprietary Funds Statement of Net Position</td><td>Fiduciary Funds Statement of Fiduciary Net Position</td></tr>
<tr><td rowspan="2">Statement of Activities</td><td rowspan="2">Statement of Revenues, Expenditures, and Changes in Fund Balances</td><td>Statement of Revenues, Expenses, and Changes in Fund Net Position</td><td rowspan="2">Statement of Changes in Fiduciary Net Position</td></tr>
<tr><td>Statement of Cash Flows</td></tr>
<tr><td colspan="4">Notes to the Financial Statements</td></tr>
<tr><td colspan="4">Required Supplementary Information and Supplemental Schedules Required by the TEA</td></tr>
</table>

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

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 and liabilities at the end of the year, with the difference between the two reported as *net position.* This statement consolidates current financial resources with capital assets and long-term obligations. Although the purpose of the District is not to accumulate net position, in general, as the amount increases or decreases, it may indicate whether it needs to consider additional non-financial factors such as changes in the District's average daily attendance and 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, revenues and expenses are reported in this statement for items that will result in cash flows in future fiscal periods.

Revenues in the statement of activities are divided into those provided through user charges or by outside agencies, those sharing the costs of specific functions, and general purpose revenues provided by the taxpayers or by the State through formula grants.

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. Fund accounting is based upon compliance with finance-related legal requirements underlying each fund. Management may also establish funds to assist in controlling and managing money for specific 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.

  Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of 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 between governmental funds and governmental activities.

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 fund, the debt service fund, and the combined capital projects funds. The general fund, by definition, is always considered a major fund. The National School Breakfast and Lunch fund, the debt service fund, and the capital projects funds 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 "Other 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 any enterprise funds.
  - *Internal services funds* are an accounting device used to accumulate and allocate costs internally among various funds and functions. The District uses an internal service fund to report activities for its 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 the operations. The District is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the 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, activities of student groups, and regional U.I.L. funds.

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.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. These schedules include budgetary comparisons for the general fund, National School Breakfast and Lunch fund, and the debt service fund, as well as a schedule of federal awards and other schedules required by the Texas Education Agency.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's overall financial position and operations for the fiscal years ended August 31, 2014 and 2013 are summarized as follows, based on the information included in the government-wide financial statements.

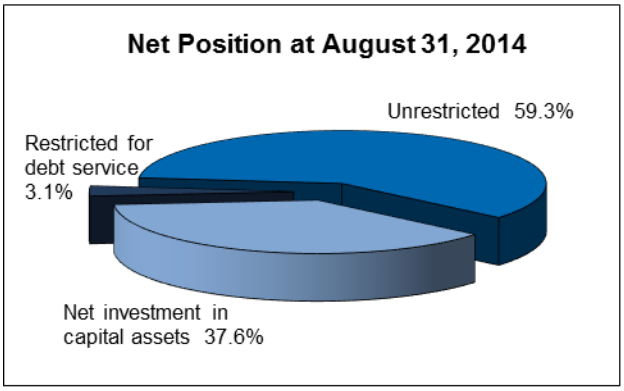
Waco Independent School District's Statement of Net Position

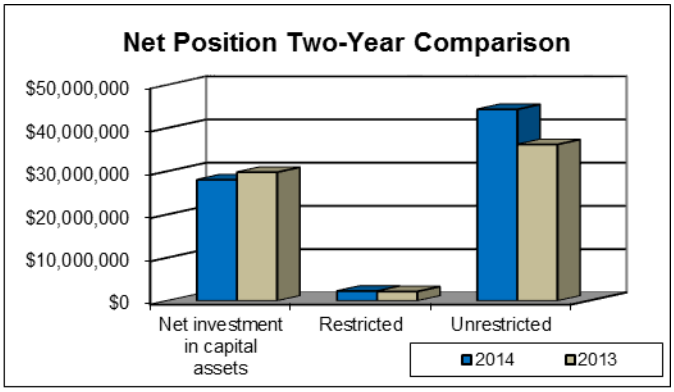
	Governmental Activities		
	2014	2013	% Change
Current and other assets	$ 64,689,876	52,487,391	23.3%
Capital assets	212,691,187	220,613,378	-3.6%
Total assets	277,381,063	273,100,769	1.6%
Current liabilities	20,846,296	16,310,575	27.8%
Long-term liabilities	181,880,527	188,612,353	-3.6%
Total liabilities	202,726,823	204,922,928	-1.1%
Net position:			
Net investment in capital assets	28,036,887	29,784,107	-5.9%
Restricted	2,289,616	2,187,110	4.7%
Unrestricted	44,327,737	36,206,624	22.4%
Total net position	$ 74,654,240	68,177,841	9.5%

The total assets exceed total liabilities by $74,654,240 at August 31, 2014, increasing $6,476,399 over the prior year. At the end of the fiscal year, 59.4 percent of the net position was unrestricted resources available to fund the ongoing operations of the District. Unrestricted net position in the government-wide statements includes amounts, other than funds restricted for debt service, shown as nonspendable, restricted, committed, or assigned in the fund statements.

Another 37.6 percent of the District's net position was invested in capital assets net of related debt. This amount represents investments in land, buildings, improvements, furniture, and equipment, less related outstanding debt used to acquire the assets. These assets are not available to fund ongoing operations and, although the capital assets are reported net of related debt, the resources needed to repay the debt must be provided from other sources. The District's investment in capital assets, net of related debt, decreased $1,747,220. Due to the sale of several properties, capital assets decreased $7,922,190, net of related accumulated depreciation which decreased $1,446,014.

The remaining 3.0 percent of net position represents resources subject to external restrictions on how they are used. This restricted net position represents amounts legally reserved under bond covenants.





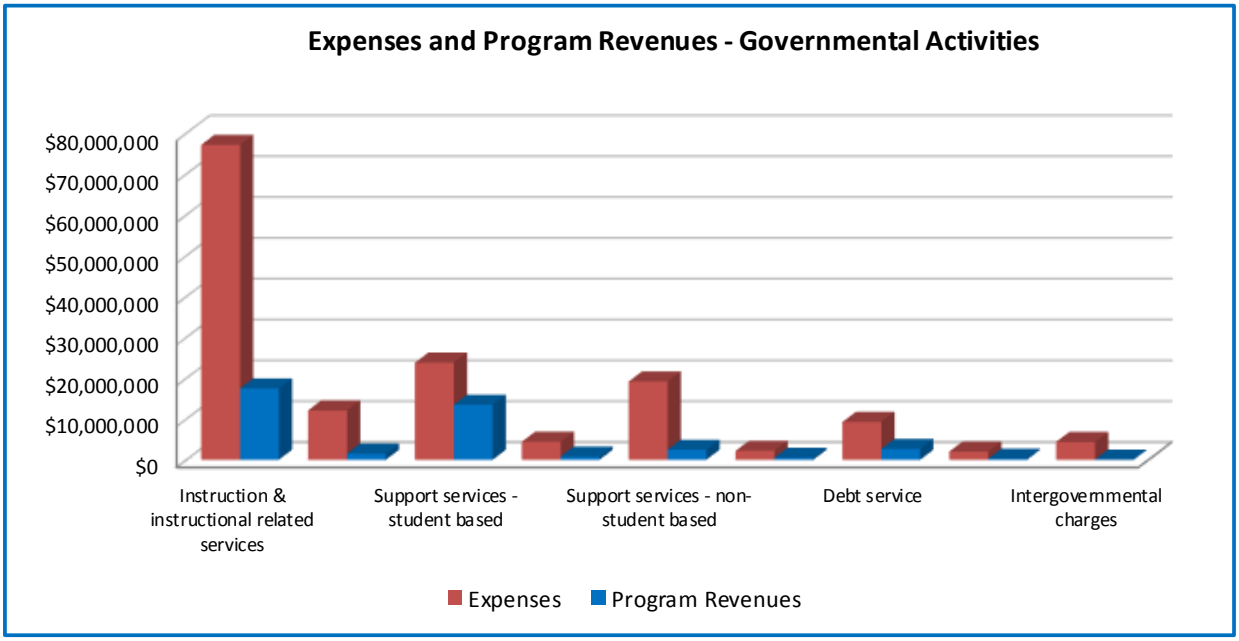
Changes in Net Position

The following table provides a summary comparing the District's operations for the years ended August 31, 2014 and 2013. For the year ended August 31, 2014, governmental activities increased net position by $6,476,399.

Waco Independent School District's Changes in Net Position

	Governmental Activities		
	2014	2013	% Change
Revenues:			
Program Revenues:			
Charges for services	$ 3,671,856	3,375,763	8.77%
Operating grants and contributions	35,356,370	36,972,531	-4.37%
General Revenues:			
Property taxes	55,718,741	54,244,499	2.72%
State aid -- formula grants	62,882,914	61,632,137	2.03%
Investment earnings	119,105	150,235	-20.72%
Miscellaneous revenue	702,540	873,017	-19.53%
Total revenues	158,451,526	157,248,182	0.77%
Expenses:			
Instruction	69,789,327	70,548,505	-1.08%
Instructional resources and media services	1,135,530	1,040,805	9.10%
Curriculum development and instructional staff development	6,173,202	6,884,856	-10.34%
Instructional leadership	3,318,806	2,693,158	23.23%
School leadership	8,738,412	8,310,370	5.15%
Guidance, counseling, and evaluation services	4,219,053	4,169,755	1.18%
Social work services	902,610	362,398	149.07%
Health services	1,033,294	948,578	8.93%
Student transportation	3,138,533	3,080,299	1.89%
Food services	10,146,039	10,231,923	-0.84%
Extracurricular activities	4,324,813	4,544,834	-4.84%
General administration	4,409,243	3,840,553	14.81%
Plant maintenance and operations	14,670,240	14,898,553	-1.53%
Security and monitoring services	1,790,388	1,920,229	-6.76%
Data processing services	2,692,333	2,358,120	14.17%
Community services	2,187,539	1,653,751	32.28%
Debt service - interest on long-term debt	9,251,908	9,589,096	-3.52%
Debt service - bond issuance costs and fees	5,050	158,974	-96.82%
Facilities acquisition and construction	1,996,941	2,205,186	-9.44%
Payments to fiscal agents/member districts of shared services arrangements	242,077	156,879	54.31%
Payments to Juvenile Justice Alternative Education program	422,845	556,650	-24.04%
Payments to tax increment fund	3,061,499	3,393,153	-9.77%
Other intergovernmental charges	616,522	597,698	3.15%
Total expenses	154,266,204	154,144,323	0.08%
Increase in net position before transfers, special and extraordinary items	4,185,322	3,103,859	34.84%
Special item -- gain on sale of equipment	2,291,077	612,687	273.94%
Increase in net position	6,476,399	3,716,546	74.26%
Net position, September 1	68,177,841	64,461,295	5.77%
Net position, August 31	$ 74,654,240	68,177,841	9.50%

The cost of all governmental activities totaled $154,266,204, increasing only $121,881 from the prior year. Program revenues of $3,671,856, in the form of charges for services, and $35,356,370, in 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. These general revenues include local property taxes, State formula funding, income from investments, and other miscellaneous income. The following chart compares expenses to revenues from user charges and operating grants and contributions by functional area.



The primary source of revenue comes from formula funding through the State's Foundation School program. State formula grants contributed $62,882,917, 39.7 percent, of the $158,451,526 total revenue. Funding from State formula grants increased $1,250,777 from the prior year. Three major factors impact State funding: property valuations and collections, representing local effort, and average daily attendance. While property values increased 2.1 percent for the 2013 tax year, the average daily attendance for the 2013-14 school year decreased by 165.5 students from 2012-13.

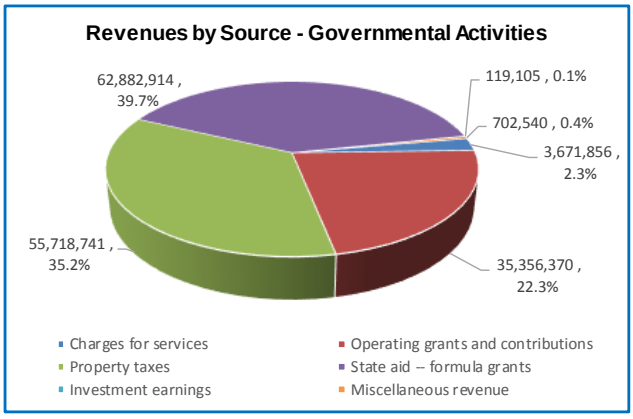
Local property tax revenue contributed an additional $55,718,741 or 35.2 percent of the total revenue. Property taxes for general purposes increased $1,114,987 due to the increased values. Property taxes levied for debt service increased $359,255 due to the same increase in values, but there was a slight decrease in the tax rate from $0.31518 per $100 of valuation to $0.31480 per $100 of valuation. This decrease was consistent with a decrease in debt service for issued bonds. The rate for maintenance and operations remained the same at $1.04000 per $100 of valuation. This is the maximum rate the District may levy without a tax ratification election.

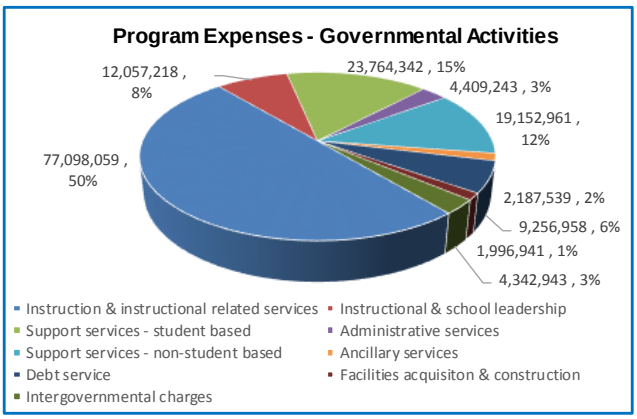
Revenue from operating grants and contributions contributed $35,356,370 or 22.3 percent of total revenue. These revenues decreased $1,616,161 from 2012-13 and reflect the impact of decreases in average daily attendance and federal sequestration on major entitlement programs, primarily Title I, Part A – Improving Basic Programs in which expenditures decreased by $2,002,454 and the loss of $677,118 in funding for after school programs through the 21st Century Community Learning grant. These losses were partially offset by competitively awarded grants of $1,220,634 for the Magnet School and Counseling programs.

Revenues identified as charges for services increased by $296,093 from 2012-13. The increase is due, in part, to increased athletics revenues of $198,767 and increased rental revenue of $260,301. Revenues in the National Breakfast and Lunch program decreased by $56,074 due to decreased participation.

Expenses for governmental activities increased by $121,881 from the prior year. In adopting the budget for 2013-14, the Board of Trustees approved an average pay increase of 4 percent for employees paid on the teacher schedule with all other employee groups receiving an increase of 3 percent of the midpoint. Additionally, the Board also increased the District's contribution by 9.9 percent to cover the employees' increase in health insurance premiums. These increases were offset by reductions in many functional categories through the continued implementation of staffing guidelines to reflect decreased average daily attendance, utilities savings from closed campuses, decreases in payments into the tax increment reinvestment zones, and decreases in annual debt service.

The following charts illustrate revenues for governmental activities by source and expenses by function. General revenues, such as taxes, State aid and investment income, are not reflected in the previous chart of expenses and program revenues, but are included within the governmental activities revenue chart to illustrate their significance.





FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

At August 31, 2014, the District's governmental funds reported combined ending fund balances of $48,680,396, an increase of $7,093,223 from the prior year. The increase is due in large part to the sale of surplus properties in the amount of $4,098,079, as well as $1,714,818 in delayed expenditures of funds committed for major renovations and repair projects and $1,097,512 for capital expenditures for equipment.

The general fund supports most of the District's educational program support operations. As of August 31, 2014, the fund balance for the general fund totaled $40,437,817, increasing $7,523,879 over the year ended August 31, 2013. The unassigned portion of the fund balance increased by $7,074,222 to $36,742,623, while committed and assigned funds increased by $457,394. Nonspendable fund balance in inventories and prepaid items totaled $214,094.

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. The first represents 32.7 percent of total fund expenditures, while the total fund balance represents 36.0 percent.

Expenditures for the National School Breakfast and Lunch Program exceeded revenues by $75,520. However, due to a change in the methodology of charging indirect costs, the General Fund recognized $1,041,813 in indirect cost recoveries from the program, while picking up $279,701 in utilities previously charged to child nutrition, and $123,833 in kitchen renovations expenditures for 2013-14. The fund balance at year end totaled $1,407,414 with $151,073 invested in nonspendable inventories on hand.

Reserves in the debt service fund increased by $149,729 due to increased property values. The ending debt service reserve represents 23.5 percent of the annual debt service.

Proprietary Funds

An internal service fund is 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. Assessments to the other funds totaled $494,560. Fees paid to the third party administrator totaled $85,425. Workers' compensation claims invoiced totaled $317,592. The District's estimated allocated loss adjustment expense of $741,970 was accrued at August 31, 2014. Unemployment claims paid totaled $69,931, a decrease of $76,932, or 52 percent, from the prior year. Ending net position for the fund totaled $527,452 or 71.1 percent of the accrued claims.

GENERAL FUND BUDGETARY HIGHLIGHTS

On August 22, 2013, the Board of Trustees for the District adopted the official budget which included annual operating budgets for the General Fund, National School Breakfast and Lunch Fund, and Debt Service Fund.

The Board approved a balanced budget with estimated revenues covering original appropriations in the General Fund totaling $115,451,840. The budget reflected a $3,947,094 increase from the previous year. The beginning fund balance at budget adoption was projected at $27,832,194. The actual beginning fund balance totaled $32,913,938. The difference between the projected fund balance and actual was due primarily to the carry forward of $2,585,496 in unexpended committed and assigned funds; $1,018,044 in unexpended utilities due to the consolidation and closing of eight campuses; $422,865 in E-Rate projects for which the District budgeted but did not receive funding; as well as savings in other functional categories due to normal salary savings and other unspending of budgeted funds.

During the 2013-14 fiscal year, revenues were amended upward by $187,908. At year end, realized revenue exceeded budgeted estimates by $239,419. Although many revenue categories exceeded estimates, including, property tax collections ($642,498), TRS on-behalf payments ($584,899), E-Rate reimbursements ($522,044), and federal program indirect cost recovery, State Foundation School Program revenues realized were $1,979,411 less than projected due to the loss in weighted average daily attendance.

Adopted general fund appropriations were amended upward by $6,031,277 during the year. Increases included $676,837 for purchase orders which were not completed at August 31, 2013; $1,605,036 for major renovations and repairs projects and capital asset purchases committed, but not completed in the prior year; new funding of $741,833 for renovations at Indian Spring Middle School; $389,250 for air conditioning repairs at Cesar Chavez Middle School; $2,008,811 for the new building and classroom renovations at the Greater Waco Advanced Manufacturing Academy; $261,036 for various maintenance projects; and $280,000 for network electronics in support of the District's long-range technology plan.

Final appropriations were under expended by $9,112,071. This amount included $2,971,157 of unspent funds for the previously described committed or assigned funding for facilities renovations and equipment replacement and $509,943 in purchase order encumbrances rolled forward into 2013-14. Additionally, $378,458 of the funds budgeted for the renovations at the Manufacturing Academy were recovered through grant funds. The remaining $5,252,513 was general salary savings and under-expenditures of budgeted funds in all functional categories, including $775,102 in utilities. Under-expenditures have been significantly higher in the past two fiscal years than in previous years. This is due, in large part, to staffing adjustments and over-budgeting resulting from losses in average daily attendance and adjusting to the eight school closures.

Results of operations increased the fund balance by $3,508,121. Other financing sources and uses, i.e., the sale of real and personal property, the transfer to cover the deficit in the first year of operations for the Manufacturing Academy, and the reclassification of activity funds, resulted in a net increase to fund balance of an additional $4,015,758. However, $2,971,157 of unspent committed or assigned funds has been reappropriated in the 2013-14 fiscal year for expenditure.

CAPITAL ASSETS

The District's investment in capital assets for its governmental activities as of August 31, 2014, totaled $212,691,188, net of accumulated depreciation of $109,010,475. Capital assets, net of accumulated depreciation decreased $7,922,190 from the August 31, 2013 balance. The investment in capital assets includes facilities and equipment utilized in instruction, student support services, administrative services, as well as community services, maintenance, security, and data processing services.

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

Capital Asset Summary

	Governmental Activities	
	August 31, 2014	August 31, 2013
Land	$ 9,513,636	9,743,801
Buildings and improvements	190,164,523	195,875,382
Furniture and equipment	11,598,527	13,298,451
Construction in progress	1,414,502	1,695,744
Total capital assets, net of accumulated depreciation	$ 212,691,188	220,613,378

Major capital asset acquisitions for the current fiscal year included:

- Completion of major renovations at Indian Spring Middle School of $2,084,903 including gymnasium and field house renovations, as well as the installation of a running track and practice field; and
- $1,578,733 in capitalized vehicles and equipment.

These acquisitions were offset by depreciation and the sale of surplus property, including the old University High School, Brazos Middle School, and two buses and other surplus equipment sold at auction. Additional information may be found in Note III-H, Capital Asset Activity, in the notes to the financial statements.

DEBT ADMINISTRATION

At August 31, 2014, the District had debt obligations totaling $188,720,526. $6,501,827 in bonded debt was retired during the 2013-14 fiscal year through scheduled debt service payments. Bond payments due within one year total $6,840,000.

Debt Summary

	Governmental Activities	
	August 31, 2014	August 31, 2013
General obligation bonds	$ 181,680,000	187,515,000
Lease revenue bonds	1,805,000	2,055,000
Maintenance tax notes	1,120,000	1,645,000
Unamortized bond issuance premium	4,433,149	4,817,955
Unamortized bond refunding loss	(1,651,667)	(1,907,558)
Accumulated accretion	1,334,044	1,096,955
Total long-term debt	$ 188,720,526	195,222,352

Additional information about the District's long-term debt is presented in Note III-I, Long-Term Debt, in the accompanying notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the close of the 83rd Legislative Session in the summer of 2013, the District was projected to gain $4.4 million for the 2013-14 school year with an additional $1.5 million gain for 2014-15. Most of the cuts from the previous biennium were restored, not necessarily to those that lost funding. Funding elements included an increase in the basic allotment and the "Austin Yield", as well as a move away from target revenue. However, with increases in property values coupled with declines in average daily attendance, the District gained only $1.6 million in State revenue and $0.5 million in local property tax revenue for the 2013-14 school year and projects to gain an additional $1.6 million in State revenue and another $2.3 million in local property tax revenue for the 2014-15 school year. Consequently, District administration began the 2014-15 budget development process with approximately $2.2 million less than legislative projections indicated in 2013.

The District's enrollment has slowly trended downward over the last 17 years, culminating in a 3.7 percent loss in enrollment in 2013-14. Current year projections show an increase in enrollment of 86 students but lower attendance rates in the fall semester may result in another loss in average daily attendance, currently projected at -37.2 students. However, this is still an 83.8 student increase over the average daily attendance used in calculating 2014-15 revenues during the budget development process. If these numbers hold through the spring, the District should pick up an additional $0.6 million in State revenue.

Significant increases in 2013 property values drove most of the District's revenue gains for 2014-15. Certified values increased 5.79 percent over 2012. While higher than normal, the increase followed a 1.53 percent increase in the previous year. The two-year average of 3.66 percent is in line with increases over the past ten years. The District's tax rate for maintenance and operations remained at $1.04000 per $100 of valuation. This is the highest rate we may levy without voter approval. The increase in property value is projected to generate the $2.3 million in maintenance and operations tax collections for general operations.

Since the District, through consolidation and other reductions, had made up most of its revenue losses through 2011-12, the additional funding has allowed the Board of Trustees to award salary and benefit increases to employees, offering strongly competitive salaries in the local market. For 2014-15, employees paid on the teacher schedule received an average increase of 2.4 percent, all other employees received a 2.1 percent increase of the midpoint. Beginning teacher salaries were raised from $42,000 to $43,000 and the beginning wage rate for auxiliary staff was raised to $9.00 per hour with the auxiliary pay schedule being adjusted accordingly. This represents a 3.3 percent and 12.5 percent increase, respectively, in starting pay. Selected stipends, particularly in athletics, fine arts, and bilingual programs, were supplemented at a cost of $105,000. Substitutes and other temporary workers also saw comparable rate increases.

With the rising costs of health insurance, the Board also approved a 5 percent increase in the employer's contribution, raising the monthly contribution from $285.14 to $300.00. The District again bid out coverage and was able to maintain premium rates for 2014-15.

In an effort to deal with potential unfunded pension liabilities, the legislature also increased contributions into the Teacher Retirement System of Texas (TRS), raising employee contributions from 6.4 percent to 6.7 percent in fiscal year 2015. Districts not contributing to Social Security for TRS-eligible employees are now required to contribute an additional 1.5 percent of the statutory minimum salary for employees subject to that schedule. For employees whose positions are not subject to the schedule, the District will contribute the 1.5 percent on the employee's total salary. Employee contribution rates will continue to increase over the next biennium, increasing to 7.2 percent for fiscal year 2016 and 7.7 percent for fiscal year 2017.

As a consequence of pension shortfalls in recent years, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pensions, which will become effective for financial statements for fiscal years beginning after June 15, 2014, requiring reporting entities to recognize their proportionate share of the net pension liability and operating statement activity related to changes in the collective pension liability. Each fiscal year, TRS will provide districts with their proportionate share to allocate the net pension liability to all employers and the non-employer contributing entity based upon their respective contributions to the pension fund. TRS will also provide information needed to prepare financial statements, including the pension expense, deferred inflows, and deferred outflows for the plan.

For informational purposes only, TRS has estimated the proportionate share of the net pension liability for each reporting entity for the fiscal year ended August 31, 2013 based upon the employer contributions reported for that period. At August 31, 2013, TRS estimated the District's share of the pension liability to be $16,051,178. If implemented as planned, this liability recognition will have a significant impact on the District's net position.

The 2014-15 budget also included additional funding for instructional programs, technology, and plant maintenance, as well as the addition of 33 behavioral aides to assist in improving classroom discipline and addressing causal issues.

The District's annual debt service decreased $19,701 from last year's requirements. And, although State funding through the existing debt and instructional facilities allotments decreased by $272,568, the increase in property values enabled the District to reduce the tax rate for interest and sinking from $0.31480 to $0.31324 per $100 of valuation. On September 15, 2014, the District refunded a portion of the Unlimited Tax School Building and Refunding Bonds, Series 2008, recognizing a net present value savings of $198,573 or 4.2 percent and further reducing current year payments by $10,793. Existing debt service requirements remain fairly stable through 2022 before significantly decreasing.

Over the past year, Texas added jobs in all of the 11 major industries recovering all recession-hit jobs and adding an additional 1.1 million jobs. By the end of 2014, the State's unemployment rate was just 4.9 percent, down 1.2 percent from 2013. Building permits for single-family homes increased 8.9 percent and multi-family permits increased 15 percent over the previous year. Sales tax collections have increased for 47 consecutive months, increasing 10.58 percent above collections for the same period in 2013.

The unemployment rate for the Waco Metropolitan Statistical Area (MSA) is slightly lower than the State's at 4.7 percent. Retail spending is increasing at a faster pace and increased buying power is expected to support annual growth in personal spending of at least 3.8 percent. The Central Texas Consumer Price Index has remained stable at about 2 percent over the past two years. After a slow beginning in 2012, construction employment and wage income in the Waco area have continued to grow. Contributing to this growth was the construction of the new Baylor stadium and the surrounding public transportation infrastructure which will be followed by the construction of an almost $100 million business school building. Cyclical forces remain favorable for continued growth in home sales and home prices have remained relatively stable. Growth in the Waco MSA is comparable to the performance of intermediate-sized U.S. metro areas and, based on Waco's location on I-35, one of the strongest growth corridors in the country, conservative projections suggest the Central Texas area will include over 350,000 persons by 2030.

One of the strongest resources for Waco's future development is its leadership and organizations working to enhance the community environment. The District, in conjunction with the City of Waco and many of the local agencies, have formed a coalition known as "Prosper Waco" with its mission to "build an environment in which all members of our Waco community are able to measurably improve their education, health, and financial security". Success of children and their families can only have a positive impact on the success of the District.

In early 2015, the 84th Legislative session will begin. Based on the recent governor's race, funding for education will once again be a priority. Because estimates from the Comptroller's Office show the State in a strong financial position, reductions in funding are not anticipated. Public schools and the District hope enough new funding is appropriated to allow us to continue to offer competitive compensation and develop programs to address the needs of children in poverty. In the meantime, the District deals with issues of poverty and declines in population and remains committed to the prudent use of taxpayers' dollars.

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 Chief Financial Officer, Waco Independent School District, 501 Franklin Avenue, Waco, Texas 76701.

Basic Financial Statements

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Exhibit A-1

Waco Independent School District

Statement of Net Position

August 31, 2014

Data Control Codes		Governmental Activities
	ASSETS	
1110	Cash and cash equivalents	$ 57,527,796
1220	Property taxes receivable	3,518,570
1230	Allowance for uncollectible taxes	(1,660,376)
1240	Due from other governments	4,173,572
1250	Accrued interest receivable	8,018
1290	Other receivables	736,462
1310	Inventories	382,083
1410	Prepayments	3,751
	Capital assets, net of accumulated depreciation:	
1510	Land	9,513,636
1520	Buildings and improvements	190,164,522
1530	Furniture and equipment	11,598,527
1580	Construction in progress	1,414,502
1000	Total assets	277,381,063
	LIABILITIES	
2110	Accounts payable	6,435,464
2120	Short term debt payable	62,602
2140	Accrued interest payable	382,461
2150	Payroll deductions and withholdings	1,244,582
2160	Accrued wages payable	1,753,845
2170	Due to fiduciary funds	78,626
2180	Due to other governments	2,733,818
2200	Accrued expenses	741,970
2300	Unearned revenue	572,928
	Noncurrent liabilities:	
2510	Due within one year	6,840,000
2510	Due after one year	181,880,527
2000	Total liabilities	202,726,823
	NET POSITION	
3200	Net investment in capital assets	28,036,887
3800	Restricted for debt service	2,289,616
3900	Unrestricted	44,327,737
3000	Total net position	$ 74,654,240

See accompanying notes to financial statements

Waco Independent School District

Statement of Activities

For the Year Ended August 31, 2014

Data Control Codes		1 Expenses	Program Revenues: 3 Charges for Services	Program Revenues: 4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: 6 Governmental Activities
Primary Government:					
	Governmental Activities:				
11	Instruction	$ 69,789,327	$ 1,016,740	$ 12,592,293	$ (56,180,294)
12	Instructional resource and media services	1,135,530	27,414	50,389	(1,057,727)
13	Curriculum and instructional staff development	6,173,202	-	3,768,455	(2,404,747)
21	Instructional leadership	3,318,806	38,494	706,151	(2,574,161)
23	School leadership	8,738,412	144,354	586,686	(8,007,372)
31	Guidance, counseling, and evaluation services	4,219,053	57,742	1,186,813	(2,974,498)
32	Social w ork services	902,610	-	638,522	(264,088)
33	Health services	1,033,294	-	429,578	(603,716)
34	Student transportation	3,138,533	-	355,018	(2,783,515)
35	Food services	10,146,039	692,221	8,997,163	(456,655)
36	Cocurricular/extracurricular activities	4,324,813	993,237	109,876	(3,221,700)
41	General administration	4,409,243	155,048	611,374	(3,642,821)
51	Plant maintenance and operations	14,670,240	368,157	1,902,363	(12,399,720)
52	Security and monitoring services	1,790,388	28,871	66,094	(1,695,423)
53	Data processing services	2,692,333	-	69,156	(2,623,177)
61	Community services	2,187,539	111,084	384,889	(1,691,566)
72	Interest on long-term debt	9,251,908	-	2,653,583	(6,598,325)
73	Bond issuance cost and fees	5,050	-	-	(5,050)
81	Facilities acquisition and construction	1,996,941	-	247,967	(1,748,974)
93	Payments to fiscal agents/member districts of shared services arrangements	242,077	38,494	-	(203,583)
95	Payments related to Juvenile Justice Alternative Education Program	422,845	-	-	(422,845)
97	Payments to tax increment zones	3,061,499	-	-	(3,061,499)
99	Other intergovernmental charges	616,522	-	-	(616,522)
	(TP) Total governmental activities	$ 154,266,204	$ 3,671,856	$ 35,356,370	(115,237,978)

Data Control Codes		
	General revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	42,790,674
DT	Property taxes, levied for debt service	12,928,067
GC	Grants and contributions not restricted	62,882,914
IE	Investment earnings	119,105
MI	Miscellaneous	702,540
	Special Items:	
SI	Gain on disposal of land, buildings, equipment	2,291,077
TR	Total general revenues and special items	121,714,377
CN	Change in net position	6,476,399
NB	Net position, beginning	68,177,841
NE	Net position, ending	$ 74,654,240

See accompanying notes to financial statements

Waco Independent School District

Balance Sheet

Governmental Funds

August 31, 2014

Data Control Codes		10 General Fund	24 National Breakfast & Lunch Fund	50 Debt Service Fund	60 Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
	ASSETS						
1110	Cash and cash equivalents	$ 47,448,432	$ 345,570	$ 717,509	$ 8,171,215	$ 845,070	$ 57,527,796
1220	Property taxes - delinquent	2,829,466	-	689,104	-	-	3,518,570
1230	Allowance for uncollectible taxes (credit)	(1,350,709)	-	(309,667)	-	-	(1,660,376)
1240	Receivables from other governments	61,060	235,726	-	-	3,876,786	4,173,572
1250	Accrued interest receivable	8,018	-	-	-	-	8,018
1260	Due from other funds	7,866,422	934,299	3,071,821	-	350,279	12,222,821
1290	Other receivables	463,919	-	-	-	272,543	736,462
1310	Inventories	210,343	171,740	-	-	-	382,083
1410	Prepayments	3,751	-	-	-	-	3,751
	Total assets	$ 57,540,702	$ 1,687,335	$ 4,168,767	$ 8,171,215	$ 5,344,678	$ 76,912,697
	LIABILITES						
2110	Accounts payable	$ 4,563,102	$ 255,535	$ -	$ 370,979	$ 1,224,741	$ 6,414,357
2120	Short-term debt payable - current	44,638	-	-	17,964	-	62,602
2150	Payroll deductions and withholdings payable	1,244,582	-	-	-	-	1,244,582
2160	Accrued wages payable	1,577,943	3,705	-	-	172,197	1,753,845
2170	Due to other funds	5,725,554	14	-	5,050,089	2,816,319	13,591,976
2180	Due to other governments	2,468,310	-	162,645	-	102,863	2,733,818
2300	Unearned revenues	-	20,667	-	-	552,261	572,928
	Total liabilities	15,624,129	279,921	162,645	5,439,032	4,868,381	26,374,108
	DEFERRED INFLOWS OF RESOURCES						
2601	Unavailable revenues - property taxes	1,478,756		379,437			1,858,193
2600	Total deferred inflows of resources	1,478,756	-	379,437	-	-	1,858,193
	Fund balances:						
	Nonspendable fund balance:						
3410	Investments in inventory	210,343	151,073	-	-	-	361,416
3430	Prepaid items	3,751	-	-	-	-	3,751
	Restricted fund balance:						
3450	Federal or state funds grant restriction	-	1,256,341	-	-	-	1,256,341
3470	Capital acquisition and contractual obligation	-	-	-	2,732,183	-	2,732,183
3480	Retirement of long-term debt	-	-	3,626,685	-	-	3,626,685
	Committed fund balance:						
3510	Construction and other major improvements	1,714,818	-	-	-	-	1,714,818
3530	Capital expenditures for equipment	1,097,512	-	-	-	-	1,097,512
	Assigned fund balance:						
3550	Construction and other major improvements	100,000	-	-	-	-	100,000
3570	Capital expenditures for equipment	58,827	-	-	-	-	58,827
3590	Other assigned fund balance	509,943	-	-	-	476,297	986,240
3600	Unassigned fund balance	36,742,623	-	-	-	-	36,742,623
	Total fund balances	40,437,817	1,407,414	3,626,685	2,732,183	476,297	48,680,396
	Total liabilities, deferred inflows, and fund balances	$ 57,540,702	$ 1,687,335	$ 4,168,767	$ 8,171,215	$ 5,344,678	$ 76,912,697

Waco Independent School District

Reconciliation of Fund Balances of Governmental Funds

to Net Position of Governmental Activities

August 31, 2014

Data Control Codes			
3600	Fund balances - total governmental funds (Exhibit C-1)	$	48,680,396
	Amounts reported for governmental activities in the statement of net position (Exhibit A-1) are different because:		
1	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. At the beginning of the year, the cost of these assets was $331,069,867 and the accumulated depreciation was $110,456,489.		220,613,378
2	Long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore, are not reported as liabilities in the funds.		(195,621,320)
3	Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase net position.		10,233,543
4	Proceeds from the disposal of capital assets are recorded in the fund financial statements as other financing sources. However, the net value of the assets is not reported in the funds.		(1,807,001)
5	The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(9,738,733)
6	The internal service fund is used by management to charge the costs of workers' compensation and unemployment claims to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.		527,452
7	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net position.		1,766,525
	Net position of governmental activities (Exhibit A-1)	$	74,654,240

Waco Independent School District

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Funds

For the Year Ended August 31, 2014

Data Control Codes		10 General Fund	24 National Breakfast & Lunch Fund	50 Debt Service Fund	60 Capital Projects Funds	Other Governmental Funds	98 Total Governmental Funds
	REVENUES						
5700	Local and intermediate sources	$ 43,943,824	$ 692,755	$ 12,921,822	$ 11,041	$ 2,325,814	$ 59,895,256
5800	State program revenues	67,607,650	56,673	2,653,583	-	1,687,790	72,005,696
5900	Federal program revenues	4,327,693	8,290,641	-	-	13,166,816	25,785,150
5020	Total revenues	115,879,167	9,040,069	15,575,405	11,041	17,180,420	157,686,102
	EXPENDITURES						
	Current:						
6011	Instruction	56,631,318	-	-	-	9,142,394	65,773,712
6012	Instructional resources and media services	920,901	-	-	-	35,302	956,203
6013	Curriculum and instructional staff development	2,509,453	-	-	-	3,649,374	6,158,827
6021	Instructional leadership	2,537,214	-	-	-	677,788	3,215,002
6023	School leadership	8,361,999	-	-	-	287,181	8,649,180
6031	Guidance, counseling, and evaluation services	3,238,215	-	-	-	954,756	4,192,971
6032	Social w ork services	280,454	-	-	-	621,821	902,275
6033	Health services	987,370	-	-	-	20,728	1,008,098
6034	Student transportation services	2,938,064	-	-	-	-	2,938,064
6035	Food services	-	9,118,705	-	-	649,315	9,768,020
6036	Cocurricular/extracurricular activities	4,040,074	-	-	-	362,290	4,402,364
6041	General administration	4,311,675	-	-	-	24,501	4,336,176
6051	Plant maintenance and operations	14,538,740	-	-	-	84,698	14,623,438
6052	Security and monitoring services	1,751,523	-	-	-	34,208	1,785,731
6053	Data processing services	2,519,842	-	-	-	-	2,519,842
6061	Community services	692,150	-	-	-	364,624	1,056,774
	Debt service:						
6071	Principal	775,000	-	5,835,000	-	-	6,610,000
6072	Interest	188,419	-	8,971,821	-	-	9,160,240
6073	Bond issuance cost and fees	3,300	-	1,750	-	-	5,050
	Capital outlay:						
6081	Facilities acquisition and construction	1,464,574	-	-	574,985	246,489	2,286,048
	Intergovernmental:						
6093	Payments to fiscal agent/member districts of shared services arrangements	197,000	-	-	-	45,077	242,077
6095	Payments to Juvenile Justice Alternative Education Program	422,845	-	-	-	-	422,845
6097	Payments to tax increment zone	2,444,394	-	617,105	-	-	3,061,499
6099	Other intergovernmental charges	616,522	-	-	-	-	616,522
6030	Total expenditures	112,371,046	9,118,705	15,425,676	574,985	17,200,546	154,690,958
1100	Excess (deficiency) of revenues over (under) expenditures	3,508,121	(78,636)	149,729	(563,944)	(20,126)	2,995,144
	OTHER FINANCING SOURCES (USES)						
7912	Sale of real and personal property	4,094,963	3,116	-	-	-	4,098,079
7915	Transfers in	15,827	-	-	-	95,032	110,859
8911	Transfers out	(95,032)	-	-	-	(15,827)	(110,859)
	Total other financing sources (uses)	4,015,758	3,116	-	-	79,205	4,098,079
1200	Net change in fund balances	7,523,879	(75,520)	149,729	(563,944)	59,079	7,093,223
0100	Fund balances, beginning	32,913,938	1,482,934	3,476,956	3,296,127	417,218	41,587,173
3000	Fund balances, ending	$ 40,437,817	$ 1,407,414	$ 3,626,685	$ 2,732,183	$ 476,297	$ 48,680,396

Waco Independent School District

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities

For the Year Ended August 31, 2014

Net changes in fund balances - total governmental funds (Exhibit C-3)	$	7,093,223
Amounts reported for governmental activities in the statement of activities (Exhibit B-1) are different because:		
Governmental fund report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which depreciation exceeds capital asset additions in the current period is a decrease to net position.		(6,115,190)
In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold. The net effect is a decrease in net position.		(1,807,001)
The issuance of long-term debt (e.g. bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		6,518,332
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income of internal service funds is reported with governmental activities. The net effect of this consolidation is to increase net position.		21,612
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy. The net effect of these reclassifications and recognitions is to decrease net position.		765,424
Changes in net position of governmental activities (Exhibit B-1)	$	6,476,400

Waco Independent School District

Statement of Net Position

Proprietary Fund

August 31, 2014

	Governmental Activities
	Internal Service Fund
ASSETS	
Current assets:	
Due from other funds	$ 1,290,529
Total assets	1,290,529
LIABILITIES	
Current liabilities:	
Accounts payable	21,107
Accrued expenses	741,970
Total liabilities	763,077
NET POSITION	
Unrestricted net position	527,452
Total net position	$ 527,452

Waco Independent School District

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Fund

Year Ended August 31, 2014

	Governmental Activities
	Internal Service Fund
Operating revenues:	
Assessments to other funds	$ 494,560
Total operating revenues	494,560
Operating expenses:	
Professional and contracted services	85,425
Claims expense	387,523
Total operating expenses	472,948
Change in Net Position	21,612
Total net position, beginning	505,840
Total net position, ending	$ 527,452

Waco Independent School District

Statement of Cash Flows

Proprietary Fund

For the Year Ended August 31, 2014

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments to other funds	$ 472,948
Cash payments for insurance claims	(387,523)
Cash payments for other operating expenses	(85,425)
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 income to net cash provided by operating activities:	
Operating income	$ 21,612
Effects of increases and decreases in current assets and liabilities:	
Decrease in due from other funds	59,520
Increase in accounts payable	7,129
Decrease in claims liability	(88,261)
Net cash provided by operating activities	$ -

Waco Independent School District
Statement of Fiduciary Net Position
Fiduciary Funds
August 31, 2014

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	$ 14,369	$ -
Accrued interest	211	-
Due from other funds	15,278	63,348
Total assets	29,858	$ 63,348
LIABILITIES		
Accounts payable	-	$ 26,673
Due to student groups	-	36,675
Total liabilities	-	$ 63,348
NET POSITION		
Restricted for scholarships	29,858	
Total net position	$ 29,858	

Waco Independent School District

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended August 31, 2014

	Private Purpose Trust Fund
ADDITIONS	
Earnings on investments	$ 291
Total additions	291
Change in net position	291
Net position, beginning	29,567
Net position, ending	$ 29,858

I. Summary of Significant Accounting Policies

Waco Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and it complies with the requirements of the appropriate version of Texas Education Agency's ***Financial Accountability System Resource Guide*** (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board of Trustees (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has primary responsibility for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, *The Financial Reporting Entity*. The Waco Independent School District Public Facilities Corporation is included as a blended component unit within the reporting entity, as further discussed in Note E.9 below. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

B. Government-Wide and Fund 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. *Governmental activities,* which include programs supported primarily by taxes, state foundation funds, grants, and other intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. There are no business-type activities reported for the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Examples include tuition paid by students, school lunch charges, etc. Operating 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 fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other revenues and expenses are non-operating. Since 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.

B. Government-Wide and Fund Financial Statements (continued)

Interfund activities between governmental funds, and between governmental funds and proprietary funds, appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions 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 due to/due from on the government-wide Statement of Activities.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become 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. The District considers all revenues available if they are collectible within 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. Expenditures related to claims and judgments are recognized when the obligations are expected to be liquidated with expendable, available financial resources.

Revenues from local sources consist primarily of property taxes. Both property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. 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.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position. Agency funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

D. Fund Accounting

The District's accounts are organized into funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues, and expenditures or expenses. The District reports the following major governmental funds:

General Fund – The general fund 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 – This fund is a special revenue fund used to account for resources restricted to, or designated for, child nutrition programs 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 for debt service is local property taxes.

Capital Projects Funds – The capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Additionally, the District reports the following fund type(s):

Other 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. The restricted or committed proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance are accounted for in a special revenue fund.

Proprietary Funds:

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

Fiduciary Funds:

Private Purpose Trust Funds -- 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 Funds -- The District accounts for resources held for others in a custodial capacity in agency funds. The District's agency fund(s) include activity funds of student groups, a regional purchasing cooperative, and regional administration for UIL athletics. Since agency funds are custodial in nature, they do not involve the measurement of operations.

E. Other Accounting Policies

1. Cash and cash equivalents -- For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments, i.e., cash on hand, demand deposits, public funds investment pools, certificates of deposit and short-term investments with original maturities of one year or less from the date of acquisition to be cash equivalents.

2. Investments -- Investments are stated at fair value, except for money market and participating interest-earning investment contracts that mature within one year of the date of their acquisition, and nonparticipating investment contracts that are stated at cost. The District intends, and is financially able, to hold temporarily impaired agency obligations until maturity. Accordingly, the District reports the investment at its amortized cost, even though that amount temporarily exceeds the investment's net realizable value. The District held no such investments at year end.

3. Receivables and payables -- Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds", i.e., the current portion of interfund loans, or "advances to/from other funds", i.e., the non-current portion of interfund loans. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

4. Inventories and prepaid items **--** The District generally reports inventories of supplies using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories of food commodities are recorded at fair values. Although commodities are received at no cost, their fair value is supplied by the Texas Department of Agriculture and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized in an equal amount.

   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.

5. Capital assets -- Capital assets, which include land, buildings, furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial unit cost of $5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

   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.

   Buildings and 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	5 - 25
Vehicles	8 - 10

6. Compensated absences **--** District employees are entitled to sick leave days earned by them for services performed. Vacation days are non-duty days, lapse at the end of each year and have not been accrued. Sick days do accumulate, but employees are not paid the benefits upon termination. Consequently, there is no liability for unpaid accumulated sick leave.

E. Other Accounting Policies (continued)

7. 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, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

8. Fund balances – governmental funds -- In the fund financial statements, fund balances in governmental funds are classified as follows:

   Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact (such as principal of a permanent fund).

   Restricted – Represents amounts that are constrained by external parties, constitutional provisions, or enabling legislation.

   Committed – Represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees (the "Board"). Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of formal action. Commitments are approved through the adoption and amendment of the District's budget or a formal resolution stating the commitment. The commitment must be made prior to year end.

   Assigned – 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. Intent may be stipulated by the Board or by an official or body to which the Board delegates the authority. The Board has authorized the Superintendent 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. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself. Assignments can be made at any time.

   Unassigned – Represents amounts which are unconstrained in that they 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.

E. Other Accounting Policies (continued)

Encumbrances outstanding at year-end are not reported as a separate line item 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 being encumbered. Encumbrances for specific purposes for which amounts have not already been restricted, committed, or assigned are reported as assigned fund balance.

9. Blended component unit -- Generally accepted accounting principles require financial statements to present the government and its component units, entities for which the government is considered financially accountable. Based on these criteria, the Waco Independent School District Public Facilities Corporation (the "PFC") has been included as a blended component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and, therefore, data from these units are combined with data of the primary government. The PFC was created in February 1999 for the purpose of constructing a stadium facility for the District and is governed by the same Board that governs the District. In October 1999, the PFC issued general obligation bonds in the amount of $4,300,000 and signed a lease agreement with the District for the use of the stadium. Annual lease payments will approximate the debt service requirements for the general obligation bonds. In addition, the District contributed $8,539,000 toward the construction of the stadium.

10. Data Control Codes -- The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency in the Financial Accountability System Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency to ensure accuracy in building a statewide data base for policy development and funding plans.

II. Stewardship, Compliance, and Accountability

A. Budgetary Data

The official budget was prepared for adoption for the General Fund, Debt Service Fund and the National School Breakfast and Lunch Program Fund (which is included in the Special Revenue funds). The budget is prepared using the modified accrual basis of accounting.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. By August 20, the District prepares a proposed operating budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the Board of Trustees is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.

3. Prior to September 1, the budget is legally adopted through passage of a resolution by the Board. The budget is prepared and approved at the fund and function levels to comply with the State's legal level of control mandates. Once a budget is approved, it can only be amended at the function and fund level by approval of the Board. Amendments are presented to the Board at its regular meetings. 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. Consistent with the prior year, funds received through the Education Jobs Bill were included in the original general fund budget, amended out and accounted for in a special revenue fund. Because the District has a policy of careful budgetary control, other amendments were necessary during the year. The Board made supplemental budgetary appropriations throughout the year.

A. Budgetary Data (continued)

4. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibits J-2 and J-3. All budget appropriations lapse at year-end.

   Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year-end are reflected in the appropriate restricted, committed, or assigned fund balance classifications and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

5. While budgets are not legally adopted for other Special Revenue funds, Capital Projects funds or the Internal Services fund, budgets are prepared for these funds as a management tool and to ensure that resources were obtained and used in accordance with other finance-related legal or contractual requirements. Specific projects are individually authorized by the Board of Trustees for construction funded from proceeds of long-term debt financing

B. Excess of Expenditures over Appropriations

While expenditures for debt service are appropriated in function 71, Debt Service, the fund financial statements break out expenditures for principal, interest, and issuance costs and fees into separate data control codes. Although the General Fund Budget report, Schedule G-1, shows interest expenditures exceeding appropriated amounts by $18, total expenditures for debt services did not exceed the amended budget for function 71. All other functional expenditures did not exceed appropriations for the year ended August 31, 2014.

III. Detailed Notes on All Funds and Account Groups

A. Deposits and Investments

1. District Policies and Legal and Contractual Provisions Governing Deposits

   Custodial Credit Risk for Deposits In case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The District has a depository contract with a financial institution and monitors its deposits to ensure its bank deposits are insured or fully collateralized with securities held by the pledging financial institution's agent in the District's name. Since the District complies with this law, it has no custodial credit risk for deposits.

   The combined balance of cash, savings and time deposit accounts with the District's depository financial institution on August 31, 2014 amounted to $21,887,583, which was secured by collateral pledged and FDIC insurance in the amount of $26,565,000.

   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.

A. Deposits and Investments (continued)

As of August 31, 2014, the District's cash and investment balances were as follows:

		Total Fair Value	Governmental Activities	Fiduciary Funds
Cash and cash equivalents:				
Cash in bank or on hand	$	20,283,552	20,283,552	-
Cash equivalents:				
Certificates of deposit		2,990,369	2,976,000	14,369
Insured cash shelter		12,103,061	12,103,061	-
Money market accounts		10,024,124	10,024,124	-
Public funds investment pools		12,141,058	12,141,058	-
Total cash equivalents		37,258,612	37,244,243	14,369
Total deposits and investments	$	57,542,164	57,527,795	14,369

2. A summary of investment accounts are as follows:

Certificates of Deposit – The District has certificates of deposit held at various banks. The certificates of deposit are either FDIC insured or collateralized through the District's depository bank.

Insured Cash Shelter – Funds in the Insured Cash Shelter are FDIC insured upon deposit at participating program institutions. Cash deposits are distributed among well capitalized banks in increments of less than $250,000, the current FDIC insurance limit. Liquidity is at par plus interest, without any early termination penalties or fees.

Lone Star Investment Pool -- Lone Star is a member-owned and governed public funds investment pool. The Board of Trustees of the fund, which has governance responsibilities, is comprised of participants in Lone Star and members of the Texas Association of School Business Officials. The District has investments in the Government Overnight Fund, the Corporate Overnight Fund and the Corporate Overnight Plus Fund, which are reported at fair value. All three funds seek to maintain a net asset value of one dollar and their dollar-weighted average maturity is 60 days or fewer.

Money Market Accounts – Funds in the Money Market accounts are collateralized through the District's depository bank, or by a letter of credit.

Texas CLASS – Texas CLASS is a government investment pool that invests only in securities allowed by the Texas Public Finds Investment Act. The pool is governed by a board of trustees, elected annually by its participants. Texas CLASS is rated 'AAAm' by Standard and Poor's Ratings Services. The public funds investment pool was created as a wholly-owned subsidiary of a publicly traded company.

Texas Local Government Investment Pool (TexPool) -- The Comptroller of Public Accounts (the "Comptroller") is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. Additionally, the Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices.

A. Deposits and Investments (continued)

Texas Short Term Asset Reserve Fund (TexSTAR) -- TexSTAR is a Texas public funds investment pool co-administered by J.P. Morgan Chase and First Southwest Asset Management, Inc. TexSTAR is managed by a five-member board comprised of three representatives of eligible governmental entities and one member designated by each of the co-administrators. TexSTAR currently offers a Cash Reserve Fund which invests only in authorized investments under the Public Funds Investment Act with weighted average maturities which cannot exceed 60 days. The Cash Reserve Fund operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The Cash Reserve Fund uses amortized cost rather than the market value to report net assets to compute share prices.

TexasTERM Local Government Investment Pool – TexasTERM is a Texas public funds investment pool administered by Public Financial Management, Inc. TexasTERM is managed by a five-member board. TexasTERM offers a series of professionally managed portfolios available to government entities in the State of Texas. The TexasDAILY Fund is a money market portfolio which invests only in authorized investments under the Public Funds Investment Act with daily liquidity. The Texas DAILY Fund operates consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The Texas DAILY Fund uses amortized cost rather than market value to report net assets to compute share prices. The TexasTERM fund 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 pool also offers the TexasTERM Certificate of Deposit Purchase Program which is a fixed-rate, fixed-term investment option enabling investors to invest in FDIC-insured certificates of deposit from banks throughout the United States. Participants may lock in a rate for a term of 90 days to 365 days. Each certificate of deposit is held in the name of the participant.

3. The specific risks of investments are as follows:

   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. At August 31, 2014, MBIA, TexPool, TexSTAR, Lone Star, and TexasTERM Daily are rated 'AAAm' by Standard and Poor's and TexasTERM Fixed Securities are rated 'AAAf'.

   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. All of the securities are in the District's name and held by the District or its agent.

   Concentration of Credit Risk -- To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, District policy requires that the investment portfolio be diversified in terms of investment instruments, maturity scheduling and issuer. The District 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.

   Interest Rate Risk -- 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.

A. Deposits and Investments (continued)

The maximum allowable stated maturity of any other individual investment owned by the District cannot exceed two years.

4. Weighted average maturity of investments was as follows:

	Fair Value	Weighted Average Maturity (in Days)
Cash equivalents:		
Certificates of Deposit		
Governmental Activities:		
TexasTERM Certificate of Deposit Program	$ 2,976,000	304
Fiduciary Funds	14,269	1352
Insured Cash Shelter	12,103,061	1
Money market accounts	10,024,124	1
Public funds investment pools:		
Lone Star Investment Pool (Lone Star)	9,359,825	1
Texas CLASS	1,593,534	1
Texas Local Government Investment Pool (TexPool)	922,099	1
Texas Short Term Asset Reserve Fund (TexSTAR)	177,107	1
TexasTERM Local Government Investment Pool (TexasDAILY)	88,493	1
Total deposits and investments	$ 37,258,512	
Portfolio weighted average maturity		26
Portfolio weighted average maturity excluding capital projects funds		28

As required by 2256.023(8), we affirm compliance of the investment portfolio of the District as it relates to the District's investment strategy and Chapter 2256 of the local government code.

B. 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The certified taxable value at January 1, 2013, on which the 2013 levy was based, was $4,096,674,417. The District's maintenance and operations rate levied in 2014 was $1.040 per $100 of valuation which was the maximum rate allowed under tax rate limitations established by House Bill No. 1, Acts of the 79th Legislature, 3rd Called Session, 2006. The rate levied for debt service in 2014 was $0.31480 per $100 of valuation.

C. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. Interfund Balances and Transfers

Interfund balances result from the time lag between the dates that reimbursable expenditures occur and payments between funds are made. Interfund balances at August 31, 2014, consisted of the following amounts:

Funds	Receivable	Payable
General fund	$ 7,866,422	5,725,554
National School Breakfast and Lunch fund	934,299	14
Debt service fund	3,071,821	-
Capital projects funds	-	5,050,089
Other non-major governmental funds	350,279	2,816,319
Internal service fund	1,290,529	-
Private purpose trust fund	15,278	-
Agency funds	63,348	-
	$ 13,591,976	13,591,976

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, 2014, operating transfers were made between the following funds:

Funds	Transfer In	Transfer Out
General fund	$ 15,827	95,032
Other non-major governmental funds:		
Campus Activity funds	-	15,827
Greater Waco Advanced Manufacturing Academy	95,032	-
	$ 110,859	110,859

E. Revenue from Local and Intermediate Sources

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	National School Breakfast and Lunch Fund	Debt Service Fund	Capital Projects Funds	Other Governmental Funds	Total
Property taxes, penalties, interest, and other tax related income	$ 42,730,846	-	12,919,635	-	-	55,650,481
Tuition and fees	139,941	-	-	-	143,521	283,462
SSA revenue from member districts	45,077	-	-	-	1,015,959	1,061,036
Investment income	90,686	534	2,187	11,041	15,191	119,639
Rental income	66,202	-	-	-	-	66,202
Gifts and bequests	407	-	-	-	397,778	398,185
Food sales	-	692,221	-	-	-	692,221
Extracurricular activities	528,777	-	-	-	126,350	655,127
Other	341,888	-	-	-	627,015	968,903
	$ 43,943,824	692,755	12,921,822	11,041	2,325,814	59,895,256

F. Unavailable and Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unavailable and unearned revenue at August 31, 2014 consisted of the following:

	General Fund	National School Breakfast and Lunch Fund	Debt Service Fund	Other Governmental Funds	Total
Unearned:					
Grant draw downs received prior to meeting all eligibility requirements:					
USDA Commodities	$ -	20,667	-	-	20,667
State programs:					
Advanced Placement Incentives	-	-	-	9,342	9,342
State Instructional Materials Allotment	-	-	-	73,211	73,211
TWC Apprenticeship	-	-	-	35,257	35,257
Texas Ready to Read	-	-	-	8,424	8,424
McLennan County Challenge Academy	-	-	-	115,969	115,969
Regional Day School for the Deaf	-	-	-	39,474	39,474
Foundation grants	-	-	-	1,447	1,447
Local grants	-	-	-	269,137	269,137
Total unearned revenues	-	20,667	-	552,261	572,928
Unavailable:					
Delinquent property taxes	1,478,756	-	379,437	-	1,858,193
Total unavailable revenues	1,478,756	-	379,437	-	1,858,193
Total unearned and unavailable revenue	$ 1,478,756	20,667	379,437	552,261	2,431,121

G. Due from State Agencies

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from other governments as of August 31, 2014 are summarized below. All federal grants shown below are passed through the TEA and are reported on the financial statements as Due from State Agencies.

Fund	State Entitlements	Federal Grants	Other Governments	Total
General	$ 61,060	-	-	61,060
Special Revenue	75,246	4,033,720	3,546	4,112,512
Total	$ 136,306	4,033,720	3,546	4,173,572

H. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2014 was as follows:

	Balance September 1, 2013	Additions	Deletions	Reclassifications	Balance August 31, 2014
Capital assets, not being depreciated:					
Land	$ 9,743,801	185,000	(415,165)	-	$ 9,513,636
Construction in progress	1,695,744	1,859,810	-	(2,141,052)	1,414,502
Total capital assets, not being depreciated	11,439,545	2,044,810	(415,165)	(2,141,052)	10,928,138
Capital assets, being depreciated:					
Buildings and improvements	289,073,379	2,141,052	(12,136,216)	-	279,078,215
Furniture, equipment, and vehicles	30,556,943	1,578,733	(440,366)	-	31,695,310
Total capital assets, being depreciated	319,630,322	3,719,785	(12,576,581)	-	310,773,525
Less accumulated depreciation for:					
Buildings and improvements	93,197,997	6,629,203	(10,913,507)	-	88,913,693
Furniture, equipment, and vehicles	17,258,492	3,109,530	(271,239)	-	20,096,783
Total accumulated depreciation	110,456,489	9,738,733	(11,184,747)	-	109,010,475
Total capital assets, being depreciated, net	209,173,833	(6,018,948)	(1,391,835)	-	201,763,050
Governmental activities capital assets, net	$ 220,613,378	(3,974,138)	(1,807,000)	(2,141,052)	212,691,188

H. Capital Asset Activity (continued)

Depreciation expense was charged to functions of the District as follows:

Function	Description	Amount
11	Instruction	$ 4,086,734
12	Instructional resources and media services	179,519
13	Curriculum and instructional staff development	14,917
21	Instructional leadership	104,362
23	School leadership	91,321
31	Guidance, counseling, and evaluation services	26,886
32	Social work services	400
33	Health services	25,434
34	Student transportation	671,059
35	Food services	400,709
36	Extracurricular activities	609,953
41	General administration	164,152
51	Plant maintenance and operations	203,000
52	Security and monitoring services	34,173
53	Data processing services	234,307
61	Community services	1,130,856
81	Facilities acquisition and construction	1,760,951
Total depreciation expense - governmental activities		$ 9,738,733

I. Long-Term Debt

Long-term debt consists of bonded indebtedness and capital leases. The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and enters into capital leases to provide funds for the acquisition of various types of equipment.

The following is a summary of changes in long-term debt for the year ended August 31, 2014.

	Balance September 1, 2013	Increases	Decreases	Balance August 31, 2014	Due Within One Year
Bonds payable:					
General obligation bonds, maintenance tax notes and lease revenue bonds	$ 191,215,000	-	(6,610,000)	184,605,000	6,840,000
Deferred amounts:					
For issuance premiums	4,817,955	-	(384,806)	4,433,149	-
On refunding	(1,907,558)	-	255,891	(1,651,667)	-
Accumulated accretion	1,096,955	297,354	(60,265)	1,334,044	-
Total long-term debt payable	$ 195,222,352	297,355	(6,799,180)	188,720,526	6,840,000

I. Long-Term Debt (continued)

General obligation debt at August 31, 2014, is comprised of the following issues:

$18,500,000 Schoolhouse building bonds, series 2001 due in annual installments of $1,480,000 and $1,530,000 through August 2015; interest at 5.50%	$	1,530,000
$4,695,000 Unlimited tax refunding bonds, series 2006 due in annual installments of $40,000 to $2,025,000 through August 2022; interest at 4.00%		4,330,000
$132,670,000 Unlimited tax school building and refunding bonds, series 2008 due in annual installments of $2,480,000 to $7,965,000 through August 2038; interest at 4.00% to 5.25%		114,520,000
$45,500,000 Unlimited tax school building bonds, series 2009 due in annual installments of $60,000 to $3,630,000 through August 2038; interest at 3.00% to 5.05%		44,865,000
$7,575,000 Unlimited tax refunding bonds, series 2010 due in annual installments of $110,000 to $1,795,000 through August 2020; interest at 2.00% to 3.25%		7,025,000
$9,635,000 Unlimited tax refunding bonds, series 2013 due in annual installments of $50,000 to $1,730,000 through February 2020; interest at .280% to 4%		9,410,000
Total general obligation bonds		181,680,000
$4,300,000 Lease revenue bonds, series 1999 due in annual installments of $200,000 to $345,000 through October 2019; interest at 5.50%		1,805,000
$4,750,000 Maintenance tax notes, series 2006 due in annual installments of $445,000 to $570,000 through August 2016; interest at 4.25% to 5.00%		1,120,000
Total long-term debt	$	184,605,000

I. Long-Term Debt (continued)

General obligation bonds mature serially and the capital appreciation bonds accrete in value through 2022. Debt service requirements for general obligation bonds are as follows:

Year Ended August 31,	Principal	Interest	Total
2015	$ 6,030,000	8,747,119	14,777,119
2016	5,335,000	9,360,969	14,695,969
2017	6,300,000	8,386,081	14,686,081
2018	6,510,000	8,189,606	14,699,606
2019	6,725,000	7,869,006	14,594,006
2020-2024	30,470,000	38,687,538	69,157,538
2025-2029	33,770,000	27,117,125	60,887,125
2030-2034	43,365,000	17,524,700	60,889,700
2035-2038	43,175,000	5,528,500	48,703,500
	181,680,000	131,410,644	313,090,644
Less interest accretion in future years	1,995,380		
Total prinicipal due as of August 31, 2014	$ 179,684,620		

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, 2014.

Summary information for the capital appreciation bonds is as follows:

Series	Original Amount Outstanding	Accreted Value August 31, 2014
Unlimited Tax Refunding Bonds, Series 2006	$ 422,085	583,428
Unlimited Tax School Building Bonds, Series 2009	4,535,012	5,962,882
Unlimited Tax Refunding Bonds, Series 2010	679,001	772,287
Total	$ 5,636,098	7,318,597

Debt service requirements for lease revenue bonds and maintenance tax notes, funded through the General Fund, are as follows:

Year Ended August 31,	Principal	Interest	Total
2015	$ 810,000	148,125	958,125
2016	845,000	105,913	950,913
2017	290,000	61,875	351,875
2018	310,000	45,375	355,375
2019	325,000	27,913	352,913
2020	345,000	9,488	354,488
	$ 2,925,000	398,688	3,323,688

I. Long-Term Debt (continued)

The District refunds bonds to achieve estimated present value savings. Proceeds from refunded bonds are placed in irrevocable trusts for the purpose of generating funds for all future debt service payments. Accordingly, neither the trust account assets nor liabilities for the defeased bonds are included in the District's financial statements. On August 31, 2014, $31,395,000 of bonds considered defeased are still outstanding.

J. 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 United States 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. Arbitrage calculations were prepared for the 2008 and 2009 series bonds and, as of August 31, 2014, there was no arbitrage rebate liability on bonds issued.

K. Defined Benefit Pension Plan

Plan Description. The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees.

TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 8701; by calling the TRS Communications Department at 1-800-223-8778; or by downloading the report from the TRS website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. State law provides for a member contribution rate of 6.40% for fiscal years 2014, 2013, and 2012, and a state contribution rate of 6.8% for fiscal year 2014, 6.4% for fiscal year 2013 and 6.0% for fiscal year 2012. In certain instances, the reporting district is required to make all or a portion of the state's 6.8% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year and (2) state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's 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.

K. Defined Benefit Pension Plan (continued)

State contributions TRS made on behalf of the District's employees for the last three fiscal periods and amounts paid by the District for additional state contributions on the portion of the employees' salaries that exceeded the statutory minimum are as follows:

Contribution Rates and Contribution Amounts

	Member		State		Federal, Statutory Minimum, New Members, Surcharge (District)
Year	Rate	Amount	Rate	Amount	Amount
2014	6.40%	$ 4,992,873	6.80%	$ 3,737,227	$ 1,346,889
2013	6.40%	4,836,797	6.40%	3,405,634	1,223,197
2012	6.40%	4,948,642	6.00%	3,398,799	1,136,144

Revenue and expenditures equal to the amount paid by the State of Texas for on-behalf fringe benefits were recognized during the fiscal year.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, amends GASB Statement No. 27. Statement No. 68 was issued June 2012 and will become effective for financial statements for fiscal years beginning after June 15, 2014. Statement No. 68 will require reporting entities to recognize their proportionate share of the net pension liability and operating statement activity related to changes in the collective pension liability.

TRS will be providing a Schedule of Employer Proportionate Shares each fiscal year to allocate the Net Pension Liability (NPL) to all employers and the non-employer contributing entity based upon their respective contributions to the pension fund.

TRS will also provide a Schedule of Pension Amounts by Employer each fiscal year that will provide information the employer will need to prepare its financial statements. This schedule will report the plan pension expense, deferred inflows, and deferred outflows for the pension plan.

For informational purposes only, TRS has estimated the proportionate share of the net pension liability for each reporting entity for the fiscal year ended August 31, 2013 based upon the employer contributions reported for that period. At August 31, 2013, TRS estimated the District's share of the pension liability to be $16,051,178.

L. School District Retiree Health Plan

Plan Description. The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple employer defined benefit post-employment health care plan administered by 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. The TRS issues a publicly available financial report that includes financial statements and supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us; by writing to the Communications Department of the Teacher Retirement System of Texas at 100 Red River Street, Austin, TX 78701; or by calling 1-800-223-8778.

L. School District Retiree Health Plan (continued)

Funding Policy. Contribution requirements are not actuarially determined but are established each biennium by the Texas legislature. Texas Insurance Code Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2014, 2013, and 2012.

Contribution Rates and Contribution Amounts

	Member		State		School District	
Year	Rate	Amount	Rate	Amount	Rate	Amount
2014	0.65%	$ 507,091	1.00%	$ 710,944	0.55%	$ 532,664
2013	0.65%	484,905	1.00%	532,130	0.55%	422,419
2012	0.65%	502,607	1.00%	566,467	0.55%	424,282

Medicare, Part D. Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One provision of the law allows TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible participants. These payments totaled $203,437, $198,230, and $197,251 for fiscal years 2014, 2013 and 2012, respectively. Revenue and expenditures equal to the amount paid by the federal government were recognized for the three years.

M. Risk Management

During the year ended August 31, 2014, 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 member 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 $1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2013, the Fund carries a discounted reserve of $57,050,754 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2014, the Fund anticipated no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductible.

For the 2013-14 plan year, the excess coverage insurance policy covers claims in excess of $740,061. The Fund performs an evaluation of workers' compensation claims submitted incidents occurring prior to August 31, 2014, and has projected open claims and incurred but not reported claims for all years will cost $741,969. The District has not significantly reduced insurance coverage during the past three years or had settlements which exceeded coverage.

M. Risk Management (continued)

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

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claims Payment	End of Year Accrual
2012	$ 840,050	191,234	226,390	804,894
2013	804,894	177,945	152,608	830,231
2014	830,231	317,592	405,853	741,970

The Fund engages the services of independent auditors to conduct a financial audit after the close of each year on August 31. The Fund's audited financial statements as of August 31, 2013 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

N. Economic Dependency

During the year ended August 31, 2014, the District received 46 percent of its revenues from the State of Texas and 18 percent from federal sources.

O. Shared Services Arrangements (SSA)

The District is the fiscal agent for the McLennan County Challenge Academy, an SSA which provides 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 Special Revenue Fund No. 446. Expenditures of the SSA are summarized by member district on the following schedule.

Member District	Student Days Attended	Fund 446 McLennan Co. Challenge Academy
Axtell	203	$ 6,214
Bosqueville	83	2,541
Bruceville-Eddy	116	3,551
China Spring	75	2,296
Connally	1,759	53,842
Crawford	15	459
La Vega	1,056	32,324
Lorena	128	3,918
Mart	68	2,081
McGregor	299	9,152
Methodist Home	1,289	39,456
Midway	2,700	82,645
Moody	3	92
Riesel	413	12,642
Robinson	439	13,438
Waco	16,931	518,248
West	440	13,468
Total	26,017	$ 796,366

O. Shared Services Arrangements (continued)

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 has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund Nos. 315, 316, 317, 340, and 435. Member districts' contributions are accounted for in fund 458. Expenditures of the SSA are summarized by member district as follows:

Member District	Percent of Students	Fund 458 Regional Day School for the Deaf
Axtell	1.27%	$ 3,420
Bruceville-Eddy	4.71%	12,685
Connally	8.51%	22,918
Midway	4.71%	12,684
Robinson	4.71%	12,685
Waco	71.38%	192,244
Whitney	4.71%	12,685
Total	100.00%	$ 256,636

P. Commitments and Contingencies

1. 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 Circular A-133 through August 31, 2014, 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 such amounts to be immaterial, if any.

2. Construction Commitments -- As of August 31, 2014, the District was party to construction contracts totaling approximately $2.1 million, of which $1.2 million had been incurred.

3. On September 15, 2014, the District issued Unlimited Tax Refunding Bonds, Series 2014, in the amount of $8,470,000, with interest rates ranging from 2 percent to 4 percent. The bonds included $8,235,000 of serial current interest bonds, $85,000 in current interest term bonds, and $150,000 in premium capital appreciation bonds. The bonds refunded a portion of the Unlimited Tax School Building and Refunding Bonds, Series 2008, maturities 2023, 2024, and 2025. The refunding recognized a net present value savings of $198,573 or 4.2.

4. Litigation -- 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.

Q. Related Organizations

The Waco ISD Education Foundation (the "Foundation"), a not-for-profit entity, was organized to develop community relationships and to provide grants to teachers for creative educational programs and projects. The Foundation is a "related organization" of the District as defined by *Governmental Accounting Standards Board Statement No. 14*. This Foundation is not reported as a component unit because the funds held by the organization are not significant to the District's financial statements, as defined by *Governmental Accounting Board Standards Statement No. 39*.

Required Supplementary Information

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Waco Independent School District

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

General Fund

For the Year Ended August 31, 2014

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variances With Final Budget
	REVENUES				
5700	Local and intermediate sources	$ 43,203,059	43,218,990	43,943,824	724,834
5800	State program revenues	68,927,856	68,927,856	67,607,650	(1,320,206)
5900	Federal program revenues	3,320,925	3,492,902	4,327,693	834,791
5020	Total revenues	115,451,840	115,639,748	115,879,167	239,419
	EXPENDITURES				
	Current:				
6011	Instruction	59,331,780	58,646,851	56,631,318	2,015,533
6012	Instructional resources and media services	954,473	993,710	920,901	72,809
6013	Curriculum and instructional staff development	2,292,593	2,637,391	2,509,453	127,938
6021	Instructional leadership	2,512,693	2,633,128	2,537,214	95,914
6023	School leadership	8,349,754	8,413,704	8,361,999	51,705
6031	Guidance, counseling, and evaluation services	3,266,772	3,326,308	3,238,215	88,093
6032	Social w ork services	371,135	320,395	280,454	39,941
6033	Health services	1,049,152	1,087,087	987,370	99,717
6034	Student transportation services	3,005,200	3,636,133	2,938,064	698,069
6036	Cocurricular/extracurricular activities	3,599,324	4,415,418	4,040,074	375,344
6041	General administration	4,396,452	4,488,186	4,311,675	176,511
6051	Plant maintenance and operations	15,969,433	16,778,765	14,538,740	2,240,025
6052	Security and monitoring services	1,792,035	1,929,626	1,751,523	178,103
6053	Data processing services	2,671,397	3,494,566	2,519,842	974,724
6061	Community services	781,031	772,936	692,150	80,786
	Debt service:				
6071	Debt service - principal on long term debt	775,000	775,000	775,000	-
6072	Debt service - interest on long term debt	188,401	188,401	188,419	(18)
6073	Debt service - bond issuance cost and fees	10,000	10,000	3,300	6,700
	Capital outlay:				
6081	Facilities acquisition and construction	95,902	2,939,199	1,464,574	1,474,625
	Intergovernmental:				
6093	Payments to fiscal agent/member districts of shared services arrangements	240,000	197,000	197,000	-
6095	Payments to Juvenile Justice Alternative Education Program	597,188	597,188	422,845	174,343
6097	Payments to tax increment fund	2,549,000	2,549,000	2,444,394	104,606
6099	Other intergovernmental charges	653,125	653,125	616,522	36,603
6030	Total expenditures	115,451,840	121,483,117	112,371,046	9,112,071
1100	Excess (deficiency) of revenues over (under) expenditures	-	(5,843,369)	3,508,121	9,351,490
	OTHER FINANCING SOURCES (USES)				
7912	Sale of real and personal property	-	4,077,845	4,094,963	17,118
7915	Transfers in	-	-	15,827	(15,827)
8911	Transfers out (use)	-	(132,000)	(95,032)	(36,968)
	Total other financing sources	-	3,945,845	4,015,758	(35,677)
1200	Net change in fund balance	-	(1,897,524)	7,523,879	9,315,813
0100	Fund balance, beginning	27,832,194	32,913,938	32,913,938	-
3000	Fund balance, ending	$ 27,832,194	31,016,414	40,437,817	9,315,813

See notes to Schedule of Revenues, Expenditures and Changes in Fund Balance

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

General Fund

For the Year Ended August 31, 2014

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, the National School Breakfast and Lunch fund, and the debt service fund. 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.

While expenditures for debt service are appropriated in function 71, Debt Service, the fund financial statements break out expenditures for principal, interest, and issuance costs and fees into separate data control codes. Although the General Fund Budget report, Schedule G-1, shows interest expenditures exceeding appropriated amounts by $18, total expenditures for debt services did not exceed the amended budget for function 71. All other functional expenditures did not exceed appropriations for the year ended August 31, 2014.

Other Supplementary Information

Waco Independent School District
Schedule of Delinquent Taxes Receivable
For the Year Ended August 31, 2014

Last Ten Years Ended August 31,	1 Tax Rates Maintenance & Operation	2 Tax Rates Debt Service	3 Assessed Appraised Value For School Tax Purposes
2005 and prior years	Various	Various	Various
2006	$ 1.44559	$ 0.11850	$ 2,789,240,192
2007	1.32181	0.12200	3,081,814,435
2008	1.04005	0.12200	3,198,779,674
2009	1.04005	0.31910	3,370,354,309
2010	1.04005	0.32630	3,520,746,064
2011	1.04000	0.32475	3,725,943,682
2012	1.04000	0.32100	3,833,148,214
2013	1.04000	0.31518	4,040,822,252
2014 (school year under audit)	1.04000	0.31480	4,096,674,417
100 Totals			
9000 Taxes paid into Tax Increment Financing Zone under Chapter 311, Tax Code (included in above totals)			$ 201,195,457

10	20	31	32	40	50
Balance September 1, 2013	Current Year's Total Levy	Total Collections: Maintenance & Operations	Total Collections: Debt Service	Entire Year's Adjustments	Balance August 31, 2014
556,955	-	18,025	1,658	(104,390)	432,882
154,792	-	5,189	425	(5,960)	143,218
181,631	-	(2,965)	(274)	(15,329)	169,541
167,756	-	5,574	654	(4,844)	156,684
218,463	-	5,626	1,726	(12,069)	199,042
273,824	-	20,915	6,562	(11,928)	234,419
308,705	-	45,003	14,053	(5,425)	244,224
428,697	-	89,784	27,712	(23,540)	287,661
1,063,421	-	425,169	128,850	(59,416)	449,986
-	55,501,745	41,575,152	12,584,479	(141,201)	1,200,913
3,354,243	55,501,745	42,187,472	12,765,845	(384,102)	3,518,570
152,896	2,725,796	2,039,236	617,105	(528)	221,823

Waco Independent School District

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

National School Breakfast and Lunch Fund

For the Year Ended August 31, 2014

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variances With Final Budget
	REVENUES				
5700	Local and intermediate sources	$ 762,300	762,300	692,755	(69,545)
5800	State program revenues	54,000	54,000	56,673	2,673
5900	Federal program revenues	8,584,400	8,799,852	8,290,641	(509,211)
5020	Total revenues	9,400,700	9,616,152	9,040,069	(576,083)
	EXPENDITURES				
	Current:				
6035	Food services	9,400,700	9,616,152	9,118,705	497,447
6030	Total expenditures	9,400,700	9,616,152	9,118,705	497,447
1100	Deficiency of revenues under expenditures	-	-	(78,636)	(78,636)
	OTHER FINANCING SOURCES (USES)				
7912	Sale of real and personal property	-	-	3,116	3,116
	Total other financing sources	-	-	3,116	3,116
1200	Net change in fund balance	-	-	(75,520)	(75,520)
0100	Fund balance, beginning	1,859,489	1,482,934	1,482,934	-
3000	Fund balance, ending	$ 1,859,489	1,482,934	1,407,414	(75,520)

Waco Independent School District

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

Debt Service Fund

For the Year Ended August 31, 2014

Data Control Codes		Budgeted Amounts			Variances With Final
		Original	Final	Actual	Budget
	REVENUES				
5700	Local and intermediate sources	$ 12,596,383	12,596,383	12,921,822	14,537
5800	State program revenues	2,842,217	2,842,217	2,653,583	18,566
5020	Total revenues	15,438,600	15,438,600	15,575,405	33,103
	EXPENDITURES				
	Current:				
6097	Payments to tax increment fund	5,835,000	5,835,000	5,835,000	5,000
	Debt service:				
6071	Debt service - principal on long-term debt	8,971,821	8,971,821	8,971,821	-
6072	Debt service - interest on long-term debt	10,000	10,000	1,750	8,250
6073	Debt service - bond issuance cost and fees	621,779	621,779	617,105	4,674
6030	Total expenditures	15,438,600	15,438,600	15,425,676	17,924
1200	Net change in fund balance	-	-	149,729	149,729
0100	Fund balance, beginning	3,221,127	3,476,956	3,476,956	-
3000	Fund balance, ending	$ 3,221,127	3,476,956	3,626,685	149,729

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Compliance, Internal Control, and Federal Awards

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INDEPENDENT AUDITORS' 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*

January 12, 2015

To the Board of Trustees of the
Waco Independent School District:

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 and each major fund of the Waco Independent School District (the "District"), as of and for the year ended August 31, 2014, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 12, 2015.

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 to determine the auditing 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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.

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AICPA

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.*

Purpose of this Report

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

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

January 12, 2015

To the Board of Trustees of the
Waco Independent School District:

Report on Compliance for Each Major Federal Program

We have audited the Waco Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 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 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.

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Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

WACO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Waco Independent School District (the "District").

2. Significant deficiencies in internal control were not disclosed by the audit of the basic financial statements.

3. No instances of noncompliance material to the financial statements were disclosed during the audit.

4. Significant deficiencies in internal control over major federal award programs were not disclosed by the audit.

5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.

6. No audit findings relative to the major federal award programs for the District are reported in Part C of this schedule.

7. The programs included as major programs are:

CFDA Numbers	Name of Federal Program
10.553, 10.555, 10.559	Child Nutrition Cluster
84.010	Title I, Part A Cluster
84.048	Career and Technical Education Grants
84.196	Education for Homeless Children & Youth
84.365	English Language Acquisition Grants

8. The threshold for distinguishing Type A and B programs was $773,754.

9. The District did qualify as a low-risk auditee.

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

None Noted

C. FINDINGS – FEDERAL AWARDS

None Noted

WACO INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended August 31, 2014

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

Waco Independent School District

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	2 Federal CFDA Number	3 Pass-Through Entity Identifying Number	4 Federal Expenditures, Indirect Costs and Refunds
U.S. Department of Agriculture			
Passed Through the State Department of Agriculture			
National School Breakfast Program *2	10.553	71400401	$ 2,246,149
National School Lunch Program *2	10.555	71300401	6,244,247
Food Distribution	10.550	161026A	634,106
Fresh Fruit and Vegetable Program	10.582	N/A	207,952
Summer Feeding Program	10.559	7561013	649,315
Total Passed Through the State Department of Agriculture			9,981,769
Total U.S. Department of Agriculture			9,981,769
U.S. Department of Defense			
Direct programs:			
Junior Reserve Officer Training Corp	12.000	N/A	92,892
Total Direct Programs Through the U.S. Department of Defense			92,892
Total U.S. Department of Defense			92,892
U.S. Department of Labor			
Passed Through the Texas Workforce Commission			
WIA Dislocated Worker Formula Grant	17.278	1314ATP000	10,637
Total Passed Through the Texas Workforce Commission			10,637
Total U.S. Department of Labor			10,637
Federal Communications Commission			
Direct Programs:			
Universal E-Rate	32.000	N/A	522,355
Total Direct Programs Through the Federal Communications Commission			522,355
Total Federal Communications Commission			522,355
U.S. Department of Education			
Passed Through State Department of Education			
ESEA Title I, Part A - Improving Basic Programs *3	84.010A	13610101161914	17,303
ESEA Title I, Part A - Improving Basic Programs *3	84.010A	14610101161914	5,853,442
ESEA Title I, Part A - Improving Basic Programs *3	84.010A	15610101161914	434,583
ESEA Title I, Part A - School Improvement *3	84.010A	13610110161914002	7,034
ESEA Title I, Part A - School Improvement *3	84.010A	14610112161914003	6,188
ESEA Title I, Part A - School Improvement *3	84.010A	14610112161914043	547
ESEA Title I, Part A - School Improvement *3	84.010A	14610112161914048	12,680
ESEA Title I, Part A - School Improvement *3	84.010A	14610112161914050	21,797
ESEA Title I, Part A - School Improvement *3	84.010A	14610112161914101	4,437
ESEA Title I, Part A - School Improvement *3	84.010A	14610112161914104	42,241
ESEA Title I, Part A - School Improvement *3	84.010A	14610112161914105	7,042
ESEA Title I, Part A - School Improvement *3	84.010A	14610112161914106	15,547
ESEA Title I, Part A - School Improvement *3	84.010A	14610112161914110	39,155
ESEA Title I, Part A - School Improvement *3	84.010A	14610112161914121	6,658
ESEA Title I, Part A - School Improvement *3	84.010A	14610112161914130	10,899
Total CFDA Number 84.010A			6,479,553

Waco Independent School District

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	2 Federal CFDA Number	3 Pass-Through Entity Identifying Number	4 Federal Expenditures, Indirect Costs and Refunds
IDEA, Part B - Formula *1	84.027A	136600011619146600	1,971
IDEA, Part B - Formula *1	84.027A	146600011619146600	2,925,834
IDEA, Part B - Formula *1	84.027A	156600011619146600	189,985
SSA - IDEA, Part B - Discretionary (Deaf) *1	84.027A	146600111619146673	15,656
SSA - IDEA, Part B - Formula Deaf *1	84.027A	146600011619146601	15,540
SSA - IDEA, Part B - Formula Deaf *1	84.027A	156600011619146601	1,043
Total CFDA Number 84.027A			3,150,029
Career and Technical - Basic Grant	84.048A	14420006161914	193,902
Career and Technical - Basic Grant	84.048A	15420006161914	60,399
Total CFDA Number 84.048A			254,301
IDEA, Part B Preschool *1	84.173A	146610011619146610	21,457
SSA - IDEA, Part B - Preschool Deaf *1	84.173A	146610011619146611	1,963
Total CFDA Number 84.173A			23,420
ESEA Title X, Part C McKinney-Vento Homeless Education	84.196A	14-036	179,829
Total CFDA Number 84.196A			179,829
ESEA Title III, Part A - English Language Acquisition	84.365A	14671001161914	241,915
ESEA Title III, Part A - English Language Acquisition	84.365A	15671001161914	18
Total CFDA Number 84.365A			241,933
ESEA Title II, Part A - Teacher/Principal Training	84.367A	13694501161914	215
ESEA Title II, Part A - Teacher/Principal Training	84.367A	14694501161914	1,090,647
ESEA Title II, Part A - Teacher/Principal Training	84.367A	15694501161914	63,652
Total CFDA Number 84.367A			1,154,514
Summer School LEP	84.369A	69551102	12,942
Total CFDA Number 84.369A			12,942
Total Passed Through State Department of Education			11,496,521
Direct Programs:			
ESEA Title V, Part D - School Improvement	84.215E	S215E130477	381,826
ESEA Title V, Part D - School Improvement	84.215E	S215E130477-14	28,917
Total CFDA Number 84.215E			410,743
ESEA Title V, Part C - Magnet Schools Assistance	84.165A	U165A130077	985,851
Total CFDA Number 84.165A			985,851
Total Direct Programs Through the U.S. Department of Education			1,396,594
Total U.S. Department of Education			12,893,115
U.S. Department of Health and Human Services			
Passed Through State Health and Human Services Commission			
Medical Assistance Program - SHARS	93.778	N/A	2,142,352
Medical Assistance Program - MAC	93.778	N/A	129,121
Total CFDA Number 93.778			2,271,473
Total Passed Through State Health and Human Services Commission			2,271,473

Waco Independent School District

Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	2 Federal CFDA Number	3 Pass-Through Entity Identifying Number	4 Federal Expenditures, Indirect Costs and Refunds
Passed Through the Texas Workforce Commission			
Temporary Assistance for Needy Families	93.558	1314ATP000	12,382
Total CFDA Number 93.558			12,382
Total Passed Through Texas Workforce Commission			12,382
Total U.S. Department of Health and Human Services			2,283,855
National Science Foundation			
Direct Program:			
Presidential Awards for Excellence in Mathematics & Science Teaching	47.049		528
Total CFDA Number 47.049			528
Total Direct Programs Through the National Science Foundation			528
Total National Science Foundation			528
Total Expenditures of Federal Awards			$ 25,785,150

**1 Clustered Programs under OMB Circular A-133*

**2 Clustered Programs under OMB Circular A-133*

**3 Clustered Programs under OMB Circular A-133*

Waco Independent School District

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended August 31, 2014

A. Basis of Accounting

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.

B. Sub-recipients

None of the federal expenditures presented in the schedule of expenditures of federal awards were provided to sub-recipients.

Waco Independent School District

Schools FIRST Questionnaire

For the Year Ended August 31, 2014

SF2	Were there any disclosures in the Annual Financial Report and / or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	$1,334,044

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