



Waco Independent School District

Annual Financial Report

For the Fiscal Year Ended August 31, 2021

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

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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, 2021 at a meeting of the Board of Trustees of such independent school district on the 27th day of January, 2022.

José Vidaña, Board Secretary

Angela Tekell, Board President

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

Financial Statements

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waco Independent School District (the District), as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, Statistical Section, and Schedule of Required Responses to Selected School FIRST Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

The Board of Trustees of
Waco Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 12, 2022

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Management's Discussion and Analysis

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Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2021

As management of the Waco Independent School District (the "District"), we offer readers of the financial statements this narrative overview of the financial activities of the District for the fiscal year ended August 31, 2021. This section of the financial report is intended to:

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

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

Financial Highlights

The following highlight changes in the District's financial position at August 31, 2021:

- ◆ On a government-wide basis, the liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$11.1 million. The deficit is due to the implementation of Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions*, and No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* which recognizes the District's proportionate share of pension and post-employment benefit liabilities in the government-wide financial statements. This change does not affect the financial stability of the District nor does it change how the District conducts its financial decision-making. Rather, the District is reflecting its portion of the liability that the State of Texas manages and operates.
- ◆ The District's governmental funds financial statements reported combined ending fund balances of \$62.3 million, an increase of \$1.9 million over the prior year.
- ◆ The District's general fund had an ending fund balance of \$53.5 million, of which \$35.7 million is unassigned and available for the discrete purposes for which these funds are collected. The unassigned amount represents 21.8% of its annual operating expenditures. The total fund balance increased by \$0.9 million from the prior year with the unassigned fund balance decreasing by \$10.3 million.
- ◆ The ending fund balance for the National School Breakfast and Lunch Programs was \$4.7 million, an increase of \$1.6 million from the prior year.
- ◆ Fund balances restricted for debt service increased by \$0.9 million to \$4.9 million.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2021

Overview of the Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2021

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

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

Fund Financial Statements

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

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

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

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

The District maintains numerous governmental funds, as needed, to ensure proper accountability. Information is presented separately in these governmental funds financial statements for the general fund, the National School Breakfast and Lunch Program fund, and the debt service fund. The general fund, by definition, is always considered a major fund. The National School Breakfast and Lunch fund and the debt service fund are presented as major funds because management has judged these funds to be of particular interest to financial statement users. Data from the remaining governmental funds are combined into a single column, entitled "Non-major Governmental Funds".

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2021

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

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

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

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

Government-wide Financial Analysis

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

Net position

With the implementation of GASB Statements No. 68 and No. 75, the District's net position may not serve as the most accurate indicator of the District's financial position. A better picture of the District's financial position may be gained from the Governmental Funds Balance Sheet. For the fiscal year ended August 31, 2021, the District's total liabilities and deferred inflows of resources exceeded its total assets and deferred outflows of resources by \$11.1 million, an increase of \$7.1 million from August 31, 2020.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2021

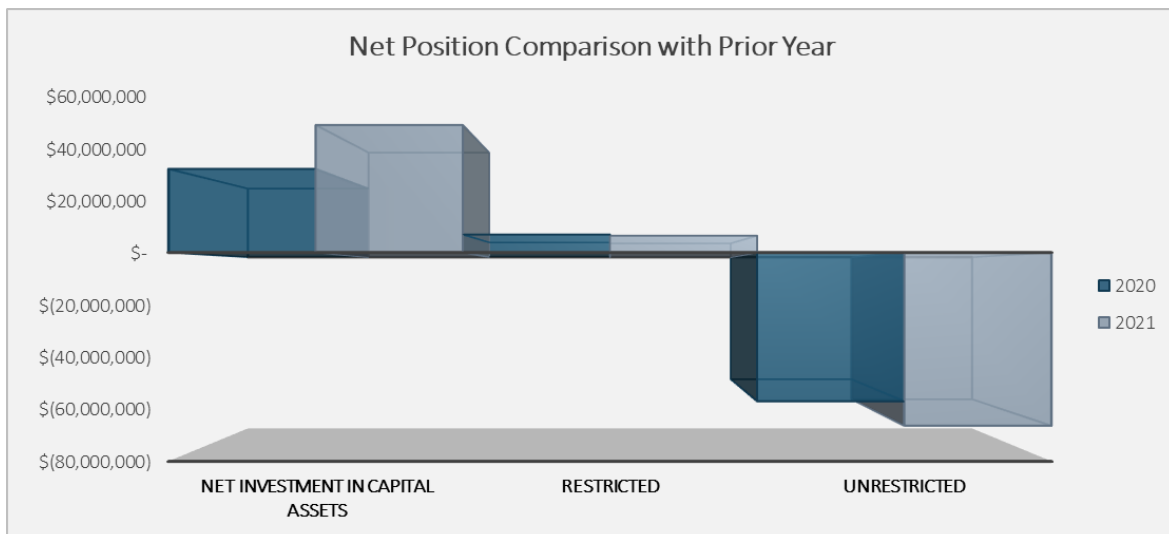
The following summarizes changes in the statement of net position in comparison to last year:

	Governmental Activities		
	2021	2020	% Change
Current and other assets	\$ 84,298,166	\$ 81,369,133	3.6%
Capital assets, net of accumulated depreciation	178,196,635	178,157,800	0.0%
Total assets	<u>262,494,801</u>	<u>259,526,933</u>	1.1%
Deferred outflows of resources	43,267,218	43,607,753	-0.8%
Current liabilities	16,845,825	15,969,182	-5.5%
Long-term liabilities	252,984,592	265,335,726	4.7%
Total liabilities	<u>269,830,417</u>	<u>281,304,908</u>	4.1%
Deferred inflows of resources	46,987,226	39,950,402	-17.6%
Net position (deficit):			
Net investment in capital assets	48,860,389	32,029,477	52.6%
Restricted	6,450,277	6,867,516	-6.1%
Unrestricted (deficit)	(66,366,290)	(57,017,617)	-16.4%
Total net position (deficit)	<u>\$ (11,055,624)</u>	<u>\$ (18,120,624)</u>	39.0%

A significant portion of the District's net position is reflected in its investment in capital assets, e.g., land, buildings, and equipment, less any outstanding related debt used to acquire the assets. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets cannot be used to liquidate the liabilities. The District's net investment in capital assets increased \$16.8 million over last year.

Additionally, \$6.5 million of the net position represents resources subject to external restrictions on how they are used, specifically the National School Breakfast and Lunch program and the contractual obligation to the in-district charter schools.

The unrestricted net position for governmental activities, the portion of net position that can be used to finance ongoing operations of the District without restrictions established by debt covenants, enabling legislation, or other legal requirements, amounted to a deficit of \$66.3 at August 31, 2021, decreasing \$9.3 million over the prior year. Unrestricted net position in the government-wide statements includes amounts shown as nonspendable, committed, or assigned in the fund statements.



Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2021

Changes in net position

The following table provides a summary comparing the District's operations for the years ended August 31, 2021 and 2020. For the year ended August 31, 2021, governmental activities increased the District's net position by \$7.1 million.

	Governmental Activities		% Change
	2021	2020	
Revenues:			
Program Revenues:			
Charges for services	\$ 5,091,716	\$ 5,251,981	-3.05%
Operating grants and contributions	44,556,955	45,063,392	-1.12%
General Revenues:			
Property taxes	86,091,281	82,756,765	4.03%
Grants and contributions not restricted	80,387,751	76,390,346	5.23%
Investment earnings	173,600	995,027	-82.55%
Miscellaneous	1,964,052	911,362	115.51%
Total revenues	218,265,355	211,368,873	3.26%
Expenses:			
Instruction	108,588,615	105,111,083	3.31%
Instructional resources and media services	1,192,490	1,230,515	-3.09%
Curriculum and instructional staff development	9,121,131	10,385,500	-12.17%
Instructional leadership	5,332,555	5,641,079	-5.47%
School leadership	10,695,652	11,178,027	-4.32%
Guidance, counseling, and evaluation services	7,496,360	6,903,962	8.58%
Social work services	1,100,337	1,183,436	-7.02%
Health services	1,805,296	1,532,816	17.78%
Student transportation services	3,200,450	3,155,808	1.41%
Food services	8,374,591	11,404,285	-26.57%
Extracurricular activities	5,788,669	6,059,245	-4.47%
General administration	5,920,000	5,671,606	4.38%
Plant maintenance and operations	18,505,551	17,657,184	4.80%
Security and monitoring services	3,027,839	2,316,628	30.70%
Data processing services	3,507,680	4,561,909	-23.11%
Community services	1,794,330	1,669,506	7.48%
Debt service - Interest on long-term debt	5,157,532	6,297,691	-18.10%
Debt service - Issuance costs and fees	1,038,026	15,812	6464.80%
Facilities acquisition, improvements, and maintenance	15,522	-	100.00%
Payments to fiscal agents/member districts of shared services arrangements	330,000	423,945	-22.16%
Payments related to Juvenile Justice Alternative Education program	295,918	646,950	-54.26%
Payments to tax increment reinvestment zones	8,207,338	8,000,245	2.59%
Other intergovernmental charges	704,473	755,302	-6.73%
Total expenses	211,200,355	211,802,534	-0.28%
Increase in net position before transfers, and special items	7,065,000	(433,661)	1729.15%
Gain (loss) on sale of capital assets	-	(163,174)	100.00%
Change in net position	7,065,000	(596,835)	1283.74%
Net position (deficit), September 1	(18,120,624)	(17,523,789)	-3.41%
Net position (deficit), August 31	\$ (11,055,624)	\$ (18,120,624)	38.99%

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2021

Governmental activities

Total revenues, as reflected in the District's governmental activities, increased \$6.8 million for the fiscal year ended August 31, 2021. Total expenses for the fiscal year decreased \$0.6 million.

Program revenues, in the form of charges for services and operating grants and contributions, are inadequate to support the cost of operations. Consequently, after all program-specific revenues are applied, general revenues must cover all remaining costs. Revenues are generated primarily from two sources: grants and contributions (both program and general revenues), totaling \$124.9 million or 57.3% of total revenues, and property taxes, totaling \$86.1 million or 39.5% of total revenues.

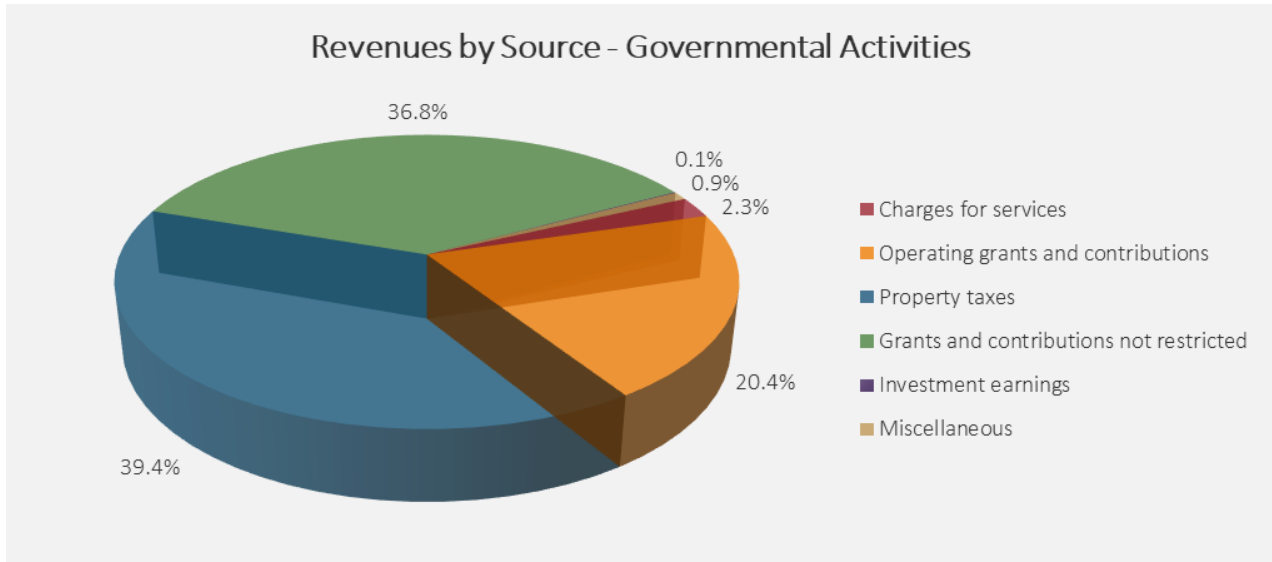
The District's largest single source of revenue comes from local property taxes. Property taxes for general purposes increased \$2.9 million while taxes levied for debt service increased \$0.4 million. These changes resulted from an increase in property values of 5.7% for the 2020 tax year coupled with a continued compression of the maintenance and operations tax rate, as legislated under House Bill 3, to 90.15%. State formula funding under the Foundation School Program, totaling \$80.4 million, contributed 36.8% of the District's revenues with an increase of \$4.0 million over last year. Program related grants and contributions totaled \$44.6 million. The remaining 2.3% is generated from charges for services, investment earnings, and miscellaneous revenues.

The severe acute respiratory syndrome coronavirus 2 (COVID-19) continued to have a significant impact on District operations and finances. The District delayed the start of the 2020-2021 school year from late August to early September and, although campuses remained open for instruction, numerous temporary closures occurred due to high infection rates and restrictions on activities continued to decrease participation in extracurricular activities, child nutrition programs, shared services arrangements, and facilities rentals. As a result, charges for services decreased \$0.2 million.

Revenue from operating grants and contributions, specific to grant funded programs, decreased \$0.5 million from fiscal year 2020. The decrease was chiefly due to reduced participation and the related loss in reimbursements for child nutrition programs. Federal stimulus funds under Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Education Stabilization Fund continued to provide financial assistance through a number of programs. The District received \$1.3 million in funding through Coronavirus Relief Funds for Operation Connectivity's Bulk Purchase and Prior Purchase Reimbursement programs to assist with technology purchases required to facilitate remote instruction. Additionally, supplemental appropriations, ESSER II and ESSER III, resulted in awards of \$55.4 million with a remaining amount of \$16.7 million to be awarded from ESSER III funding during the 2021-2022 fiscal year. The ESSER II funds allowed the TEA to again hold local education agencies harmless for attendance declines. Waco ISD's enrollment decreased 471 students from the prior year. Hold harmless funding for the Foundation School Program totaled \$2.5 million. During the fiscal year ended August 31, 2021, the District expended \$8.4 million in federal stimulus funds.

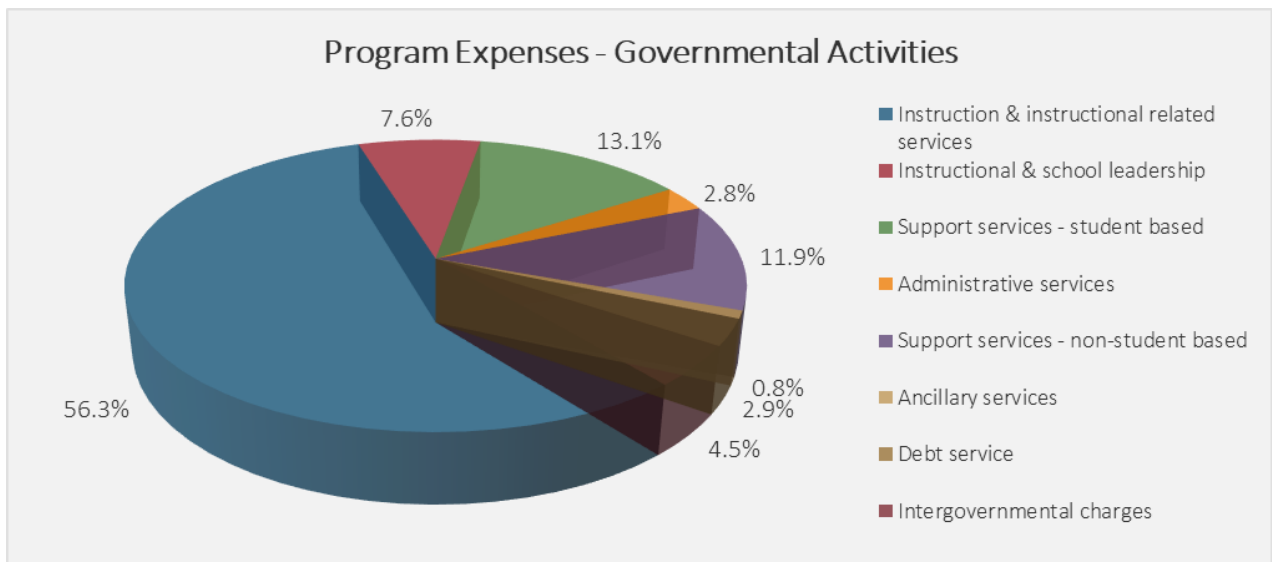
Investment earnings declined another \$0.8 million as the District's investment in longer term programs, primarily certificates of deposit, matured and funds were reinvested in lower interest rate vehicles.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2021



The cost of all governmental activities totaled \$211.2 million decreasing \$0.6 million from the prior year. Although the District approved a 1% average increase for staff, the decrease in enrollment and related activities resulted in some cost savings. The District also experienced significant vacancies, particularly in custodial and food service positions. Additionally, supply chain issues delayed the completion of a number of maintenance projects as well as the delivery of equipment purchases.

The District's expenses by major functional category are shown on the following chart. \$118.9 million or 56.3% of the District's total expenses was spent on instruction and instructional related services with another \$27.7 million, 13.2%, attributable to student based support services and \$16.0 million, 7.6%, to instructional and school leadership. Non-student based support services totaled \$25.0 million. Intergovernmental expenses to support shared service arrangements, the central appraisal district, and the pass-through of tax collections for properties in the Tax Increment Reinvestment Zone, totaled \$9.5 million while expenses related to paying debt service totaled \$6.2 million. The remaining 3.7% was spent for general administrative costs and community services.



Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2021

Financial Analysis of the District's Funds

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

Governmental Funds

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

At August 31, 2021, the District's governmental funds, shown on Exhibit C-1, reported a combined ending fund balance of \$62.3 million, an increase of \$1.9 million from the prior year. The unassigned fund balance in the general fund constitutes 57.3% of the combined ending fund balances. The remainder of the fund balance is not available for general operations because it is nonspendable, restricted, or committed as follows:

Nonspendable fund balance:	
Investments in inventory	\$ 394,866
Restricted fund balance:	
Federal or state funds grant restriction	4,698,491
Retirement of long-term debt	4,866,235
Other restricted fund balance	1,751,786
Committed fund balance:	
Construction and other major improvements	10,353,682
Capital expenditures for equipment	698,078
Other committed fund balance	5,299,702

General fund

The *general fund* is the primary operating fund and supports most of the District's educational program support operations. As of August 31, 2021, the fund balance for the general fund totaled \$53.5 million, increasing \$0.9 million from the year ended August 31, 2020. However, the unassigned portion of the fund balance decreased by \$10.3 million to \$35.1 million, while committed funds increased by \$12.3 million. The increase in committed funds is attributable to construction and maintenance projects and other purchases committed at August 31, re-appropriated and completed or received in the subsequent fiscal year. It should be noted, that \$3.8 million of the funds committed by the Board of Trustees relate to construction projects for which the Board adopted a resolution to reimburse the general fund from future bond proceeds.

As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to the total fund expenditures. Unassigned fund balance represents 21.8% of total fund expenditures, while the total fund balance is 32.7%.

National School Breakfast and Lunch Program

Revenues for the National School Breakfast and Lunch Program exceeded expenditures by \$1.0 million. This positive position is a result of receiving federal stimulus funding of just over \$1.0 million to reimburse the District for revenue losses due to school closures in fiscal year 2019-2020. The General Fund recognized \$0.4

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2021

in indirect cost recoveries from the program to cover administrative costs as well as plant maintenance (including the program's share of utilities costs), security, and technology infrastructure. Additionally, the District received permission from the Texas Department of Agriculture to transfer \$0.6 million in excess reimbursements, generated through the Summer Feeding program, into the National School Lunch and Breakfast program to assist in funding the new walk-in cooler and freezer and other food service equipment. The fund balance at year end totaled \$4.7 million.

Debt service

Reserves in the debt service fund increased by \$0.9. Property value increases allowed the District to reduce its I&S tax rate approximately one cent, from \$0.2341 to \$0.22415, and increase tax collections, penalties and related fees by \$0.3 million. Approximately \$1.2 million of the tax collections is passed through to the Tax Increment Fund. The District issued unlimited taxable refunding bonds in the amount of \$106,740,000 to defease most of its outstanding debt from the 2014, 2015, and 2016 series bonds. The transaction reduced the District's future debt service payments by \$15,874,341. The ending debt service reserve of \$4.9 million represents 30.7% of the annual debt service.

Other governmental funds

Other governmental funds include special revenue funds used to account for all financial resources restricted to, or designated for specific purposes by a grantor or other authority and remaining amounts in capital projects funds for bonds issued in 2008 and 2009. Typically, the special revenue funds do not carry a fund balance. The fund balance shown of \$0.7 million, for the other governmental funds represents committed fund balances in campus activity funds of \$671,849. The unassigned deficit balance is in the capital projects fund where design fees, related to new construction, were reclassified after the District's bond election passed subsequent to year end.

Proprietary Funds

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

The District's self-funded group health plan was implemented on January 1, 2018. Revenues are generated through assessments to the other funds as well as employee contributions for employee premiums in excess of the District's contribution and dependent coverage.

Assessments to the other funds totaled \$9.5 million and employee contributions totaled \$3.1 million. Monthly contribution rates for health insurance were not increased for the 2021 plan year. Fees paid to the third party administrators totaled \$1.4 million. Claims expense totaled \$10.9 million and included actuarial determined incurred but not reported claims of \$167,713 for workers' compensation and medical claims of \$596,227 and prescription drug claims of \$54,091. The ending net position for the fund was \$3.5 million a decrease from the prior year of \$0.4 million and represents 25.6% of the fund's operating expenses for 2020-2021.

Waco Independent School District
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2021

General Fund Budgetary Highlights

On August 27, 2020, the Board adopted the District’s official budget which included annual operating budgets for the general, National School Breakfast and Lunch Program, and debt service funds. The Board approved budgets for the following funds that make up the District’s Official Budget. Original appropriations in the official budget are as follows:

General Fund	\$ 165,092,269
National School Breakfast and Lunch Program fund	8,171,868
Debt Service Fund	15,138,979

In addition to the functional appropriations, the District budgeted an operating transfer of \$664,000 in the General Fund to cover the projected funding deficit for the operations of the Advanced Manufacturing Academy and the Regional Day School Program for the Deaf. Estimated revenues were short of covering budgeted appropriations in both the General Fund and the National School Breakfast and Lunch Program by \$4.6 million and \$1.2 million, respectively. Estimated revenues exceeded budgeted appropriations in Debt Service fund by \$0.3 million.

Approximately 70% of the shortfall in the general fund was due to a timing difference in expenditures. Because of a rise in COVID-19 cases, the District has decided to delay the start of school, from August 18 to September 9. As a result, the work calendar for instructional staff was likewise delayed pushing 10 work days from the 2019-2020 fiscal year to the 2020-2021 fiscal year.

For the 2021 fiscal year, the General Fund budget was adopted based on a compressed tax rate of \$1.0398 per \$100 of valuation. In proposing the 2020 tax rate, the Board approved a decrease in the interest and sinking rate of \$0.00995, from \$0.23410 to \$0.22415 per \$100 of valuation. This decrease resulted from increased property values.

Estimated state Foundation School Program revenues anticipated a drop in enrollment as well as in the attendance rate. While the revenue loss was projected to be just under \$4.0 million, hold harmless measures adopted by the state decreased that loss to \$2.5 million which was allowed to be covered by ESSER II funding.

The Board’s priorities for the 2020-2021 budget were focused on dealing with the effects of the pandemic, retaining staff, maintaining programs, and addressing students’ learning losses. In spite of the projected revenue losses, the Board approved an average salary increase of 1% for all employees, increasing the starting teacher pay from \$49,000 to \$49,100. The pay increase cost the general fund approximately \$1.5 million with another \$0.7 million in increased benefits costs, primarily due to a legislated increase in rates for Teacher Retirement contributions.

Another \$1.4 million was added for additional staffing, \$1.0 million was attributable to required staffing for special education and dyslexia programs, and \$0.4 million in other unavoidable rate and contractual obligations increases. However, funding losses limited the District’s ability to support maintenance and safety improvements as well as vehicle and equipment replacements. Federal stimulus funding was allocated to cover technology devices and connectivity for both employees and students.

In April 2018, the District entered into a performance contract, under the rules adopted by the Commissioner of Education to implement SB 1882, creating a local campus partnership for the management of five of the District’s lowest performing campuses. Under the partnership, the District was eligible for additional “Aid to Contract to Operate a District Campus”. Funds generated by the five campuses, for the most part, were to be allocated at their discretion. However, many services were still provided by the District, some were optional but others were included in an agreed upon administrative cost. The District acts as fiscal agent for

Waco Independent School District
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2021

the program. Cumulative unexpended revenues generated by the campuses in the Transformation Zone of \$1.8 million are shown as other restricted fund balance on the general fund balance sheet in the governmental fund schedules.

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

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

- Revenue estimates were increased by \$2.4 million, with offsetting appropriations increases, for expected insurance recoveries. The District is involved in three major property insurance claims, as discussed in further detail in Note 15 to the financial statements. Because of supply chain issues and the District’s inability to address the replacement of mechanical systems prior to the end of the fiscal year, the District only received for \$1.0 million of the hail and winter storm claims. Estimates for fire damages at G. W. Carver Middle School are pending finalization.
- Unassigned fund balance was used to support expenditure appropriations for the following:
 - \$1.2 million for the re-appropriation of budgets for purchase orders from fiscal year 2020, honored in 2021;
 - \$1.2 million for renovations and major repairs projects not completed at August 31, 2020;
 - \$0.8 million for bus purchases;
 - \$12 million to rebuild Paul Tyson Stadium and surrounding playing fields, in conjunction with McLennan County’s venue project, as well as build the infrastructure for the new walk-in cooler and freezer for the child nutrition program, and installing an irrigation system at University High School; and
 - \$3.7 million to cover schematic design for the new Waco High School rebuild project. The Board adopted a resolution to reimburse the general fund for these costs if the proposed bond election was passed successfully.

During fiscal year 2021, National School Breakfast and Lunch Fund appropriations were increased by \$1.3 million. Appropriations increased for the re-appropriation of budgets for renovations projects, equipment and vehicles purchases, which were not completed or received at August 31, 2020, as well as the equipment portion of the cooler-freezer project. The District has had an excess fund balance in the child nutrition program for the past two years and had intended to address the situation in the 2020-2021 fiscal year. However, delays caused by the pandemic prevented completion. The Texas Department of Agriculture has granted an extension through its approval of our plan to address the excess.

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

• The McLennan County Challenge Academy	\$ 978,987
• The Regional Day School for the Deaf	1,146,428
• The Greater Waco Advanced Academies:	
- Advanced Health Care Academy	1,396,808
- Advanced Manufacturing Academy	1,313,083

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2021

Capital Assets

The District's investment in capital assets for its governmental activities as of August 31, 2021, totaled \$178.2 million, net of accumulated depreciation of \$155.7 million. The decrease in buildings and improvements, net of accumulated depreciation, of \$6.1 million from the prior year is due to depreciation expense of \$5.7 million, additions of \$0.3 million, and losses of \$0.6 million (due to the fire at G. W. Carver Middle School – the building was fully depreciated and the remaining value was mechanical systems). The District had a net loss on asset disposals of \$0.7 million. The investment in capital assets includes facilities, equipment, and vehicles utilized in governmental activities.

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

	Governmental Activities	
	August 31, 2021	August 31, 2020
Land	\$ 9,310,772	\$ 9,310,772
Buildings and improvements	154,375,803	160,486,781
Furniture, equipment, and vehicles	8,090,640	8,360,247
Construction in progress	6,419,420	-
Total capital assets, net of accumulated depreciation	<u>\$ 178,196,635</u>	<u>\$ 178,157,800</u>

Major capital asset acquisitions for the current fiscal year included:

- Vehicle purchases totaling \$1.0 million; and
- Construction-in-progress of the rebuild of the Paul Tyson Stadium, \$4.9 million, and Waco High School, \$1.5 million.

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

Long-term Liabilities

At August 31, 2021, the District had total long-term liabilities totaling \$253.0 million. Of this amount, \$155.3 million comprises debt backed by the full faith of the State of Texas Permanent School Fund. During the 2020-2021 fiscal year, the District retired \$8.4 million in bonded debt through scheduled debt service payments. Additionally, the District issued unlimited taxable refunding bonds to defease most of the outstanding debt for the 2014, 2015, and 2016 series bonds. The refunding resulted in an economic gain of \$13.6 million over the life of the bonds. Bond payments due within one year total \$10.4 million.

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

Long-term obligations include \$50.1 million and \$47.6 million, respectively, for the District's proportionate share of the net pension and other post-employment benefits liabilities. The District's proportionate share of the net pension liability increased \$1.4 million and its proportionate share of the net TRS-Care post-employment benefit liability decreased \$10.6 million from the prior year.

Waco Independent School District
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2021

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

	Governmental Activities	
	August 31, 2021	August 31, 2020
General obligation bonds, par	\$ 133,030,000	\$ 141,440,000
Premiums	12,627,535	16,818,595
Accumulated accretion	9,616,813	186,783
Total bonds payable	155,274,348	158,445,378
Net pension liability	50,061,628	48,636,619
Other post-employment benefits liability	47,648,616	58,253,729
Total long-term liabilities	\$ 252,984,592	\$ 265,335,726

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

Economic Factors and Next Year’s Budgets and Tax Rates

For the 2022 fiscal year, the Board of Trustees adopted a General Fund budget in which appropriations, of \$165.1 million, exceeded estimated revenues, of \$164.7 million, by \$0.3 million. Additionally, the budget included operating transfers of \$0.7 million to cover projected shortfalls in funding for the Greater Waco Advanced Academies and the Regional Day School Program for the Deaf.

There were a number of issues shaping the 2021-2022 budget. The greatest challenge continued to be developing projections in light of the uncertainties, caused by the coronavirus pandemic, and its inevitable impact on school funding. Of major concern to educators was the disengagement of students from school due to economic, health, or other factors and its impact on student learning and attendance.

On the expenditure side, the strain on instructional staff of a year of providing both in-person and remote instruction, on a daily basis, coupled with the anxiety caused by the pandemic, saw teachers leaving the profession in increased numbers while the District struggled to fill auxiliary staff for food service and custodial jobs. Consequently, the administration recommended and the Board approved an average salary increase of 3%, despite revenue concerns, and increased the starting teacher pay from \$49,100 to \$50,100, costing approximately \$2.3 million, net of anticipated salary savings. The cost included the impact on employee benefits and increased contributions for both retirement and health insurance.

Increased identification of students requiring special education services, necessitated the hiring of another \$0.5 million in special education staffing to meet maintenance of effort. Furthermore, difficulties in hiring speech pathologists and diagnosticians have forced the District to contract for much of these services at a much higher cost.

Over a year of uncertainty, isolation and struggles with remote learning led, not only to learning losses, but increased behavior issues. Funding was provided to strengthen campus security, add counseling and social work support, and reinforce athletics programs with additional coaches, trainers, and conditioning staff. The District leveraged federal stimulus funding to enhance literacy programs including a massive replacement of library books and furnishings, providing additional certified librarians to oversee the project.

State revenues are primarily driven by student populations in average daily attendance (ADA). Additionally, campus staffing allocations are heavily based on projected student counts. These projections, supported by

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2021

a demographic study, anticipated the recovery of about 75% of the 471 students lost during the first year of the pandemic. However, the District has continued to experience significant losses in student enrollment.

Original projections indicated an enrollment of 14,783 and an average daily attendance of 13,261. As of the fall PEIMS collection, District enrollment was down another 324 students from last year. Based on current information, the District would generate approximately \$3.8 million less in Foundation School Program revenues than originally estimated.

Continued implementation of HB 3, enacted by the 86th Texas legislature, required further state and local compression of the District's tier one tax rate (the portion of the maintenance and operations tax rate. State compression tax rate was set in law at \$0.8220 while local compression used individual district property value growth to determine the maximum compressed rate (MCR). The District's estimated property value growth of 4.28% resulted in a maximum tier one tax rate of \$0.8861, a total maintenance and operations tax rate of \$1.0244, and an estimated increase in property tax revenue for general operations of \$0.8 million.

At the start of last school year, the District had invested almost \$4.7 million in instructional technology including student and teacher devices, learning management software, training, and hotspots to enable Waco ISD students to access the internet, utilizing federal funding under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), in its various forms, for most of these purchases. As mentioned previously, the Elementary and Secondary Schools Emergency Relief (ESSER II) funding again assisted TEA in holding local education agencies harmless for attendance declines. Between the 2019-2020 and 2020-2021 school years, \$4.7 million and \$2.5 million, respectively, was used to offset reduction in the Foundation School Program funding that the District was originally slated to receive.

Since the budget was adopted, \$15.7 million in funds, committed for projects during the 2020-2021 fiscal year, have been rebudgeted in 2021-2022. \$11.2 million of these committed funds were appropriated for the construction of a new Paul Tyson Stadium, central chiller and freezer units for child nutrition programs, as well as a number of other major maintenance projects and purchase orders, outstanding at August 31st. Another \$0.7 million is committed for the future purchase of school buses. With the successful passing of a \$355 million bond election in November, 2022, \$3.8 million of the funds, committed for the design of a new Waco High School, will now be funded from bond proceeds.

Federal funding will continue to assist in covering costs for the next few years. At August 31, 2021, \$51.9 million remained in awarded ESSER II and III funding with another \$16.7 million in ESSER III funding remaining for award. The District also applied for, and was awarded, \$5.1 million in Emergency Connectivity Funds under the E-Rate program. These funds were utilized to purchase Chromebooks, tablets and hotspots to continue to facilitate online instruction. Since the federal stimulus funding has a certain end date, the District continues to review staffing, leaving vacancies unfilled until required, and program expenditures to ensure future revenues will cover operating expenditures.

While the decline in student enrollment has also negatively impacted reimbursements under the National School Breakfast and Lunch Program, the program is expected to cover operating expenditures for the 2021-2022 fiscal year. Original budget appropriations of \$10.9 million exceeded estimated revenues of \$9.6 million by \$1.4 million and the District has increased appropriations after the start of the year by another \$0.4 million to cover purchase orders not received at August 31st. The District ended the 2020-2021 fiscal year with a fund balance of \$4.7 million, \$1.9 million in excess of allowable fund balance, and has planned to invest, the excess balance into equipment upgrades. The remaining fund balance is sufficient to maintain the program through any revenue losses due to participation decreases.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2021

On the debt service side, property value increases, the early defeasance of a most of the outstanding Series 2014, 2015, and 2016 bonds, and excess tax collections during the fiscal year ended August 31, 2021, allowed the Board to decrease the interest and sinking tax rate from \$0.224153 to \$0.22024 per \$100 of valuation. The adopted budget reflects appropriations in excess of revenues of \$1.0 million to utilize those excess collections. The excess collections resulted from tax rate calculations based on the Chief Appraiser's estimate of taxable values for the 2020 tax year. The Chief Appraiser was unable to certify values at 95% as of July 25, 2020, and provided estimated values instead. The refunding also included an accelerated repayment schedule for the 2021-2022 fiscal year in preparation of issuing new debt if the bond election were to pass.

The District continues to deal with the protracted impact of COVID-19. As discussed, as of September 1, 2022, the District had over \$68 million in federal stimulus funding remaining. These funds will be targeted at additional technology and other interventions to begin to address any losses in student achievement. We do not expect projections of enrollment, ADA, or staffing to get any easier for the 2022-2023 budget. The District will continue to monitor information and capture new data to refine budget estimates in order to restructure programs and develop spending plans to best support student success.

REQUESTS FOR INFORMATION

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

Basic Financial Statements

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Waco Independent School District
Statement of Net Position
August 31, 2021

Exhibit A-1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
Assets		
1110	Cash and cash equivalents	\$ 65,444,105
1120	Investments	6,014,842
1220	Property taxes receivable	4,215,954
1230	Allowance for uncollectible taxes	(2,446,795)
1240	Due from other governments	10,529,179
1250	Accrued interest receivable	18,160
1290	Other receivables	99,168
1300	Inventories	394,866
1400	Prepayments	28,689
	Capital assets not subject to depreciation:	
1510	Land	9,310,772
	Capital assets, net of accumulated depreciation:	
1520	Buildings and improvements	154,375,803
1530	Furniture, equipment, and vehicles	8,090,640
1580	Construction in progress	6,419,420
1000	Total assets	<u>262,494,803</u>
Deferred Outflows of Resources		
1701	Deferred charge on refunding	16,321,291
1705	Deferred outflow of pension resources	19,329,001
1706	Deferred outflow of other post-employment benefit resources	7,616,926
1700	Total deferred outflows of resources	<u>43,267,218</u>
Liabilities		
2110	Accounts payable	7,486,088
2120	Other liabilities	1,306,749
2140	Accrued interest payable	170,480
2150	Payroll deductions and withholdings	1,538,193
2160	Accrued wages payable	5,743,035
2177	Due to fiduciary funds	66,743
2180	Due to other governments	20,491
2300	Unearned revenue	514,048
	Noncurrent liabilities:	
2501	Due within one year	10,370,000
2502	Due after one year	144,904,348
2540	Net pension liability	50,061,628
2545	Net other post-employment benefit liability	47,648,616
2000	Total liabilities	<u>269,830,419</u>
Deferred Inflows of Resources		
2605	Deferred inflows of pension resources	7,860,384
2606	Deferred inflows of other post-employment benefit resources	39,126,842
2600	Total deferred inflows of resources	<u>46,987,226</u>
Net Position (Deficit)		
3200	Net investment in capital assets	48,860,389
	Restricted for:	
3820	Federal and state programs	4,698,491
3890	Restricted for other purposes	1,751,786
3900	Unrestricted (deficit)	(66,366,290)
3000	Total net position (deficit)	<u>\$ (11,055,624)</u>

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

Waco Independent School District
Statement of Activities
For the Year Ended August 31, 2021

Exhibit B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		3	4	6	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Primary Government:					
Governmental activities:					
0011	Instruction	\$ 108,588,615	\$ 2,929,340	\$ 19,901,698	\$ (85,757,577)
0012	Instructional resource and media services	1,192,490	6,713	98,086	(1,087,691)
0013	Curriculum and instructional staff development	9,121,131	30,208	4,580,616	(4,510,307)
0021	Instructional leadership	5,332,555	340,827	802,244	(4,189,484)
0023	School leadership	10,695,652	201,095	909,430	(9,585,127)
0031	Guidance, counseling, and evaluation services	7,496,360	307,770	2,249,160	(4,939,430)
0032	Social work services	1,100,337	6,713	289,064	(804,560)
0033	Health services	1,805,296	-	732,488	(1,072,808)
0034	Student transportation services	3,200,450	30,000	485,340	(2,685,110)
0035	Food services	8,374,591	225,868	8,605,354	456,631
0036	Extracurricular activities	5,788,669	390,690	413,691	(4,984,288)
0041	General administration	5,920,000	102,989	1,850,006	(3,967,005)
0051	Plant maintenance and operations	18,505,551	441,653	575,526	(17,488,372)
0052	Security and monitoring services	3,027,839	4,902	758,265	(2,264,672)
0053	Data processing services	3,507,680	9,804	959,383	(2,538,493)
0061	Community services	1,794,330	-	1,023,700	(770,630)
0072	Interest on long-term debt	5,157,532	-	322,904	(4,834,628)
0073	Issuance cost and fees	1,038,026	-	-	(1,038,026)
0081	Facilities acquisition, improvements, and repairs	15,522	-	-	(15,522)
0093	Payments to fiscal agents/member districts of shared services arrangements	330,000	63,144	-	(266,856)
0095	Payments related to Juvenile Justice Alternative Education Program	295,918	-	-	(295,918)
0097	Payments to tax increment zones	8,207,338	-	-	(8,207,338)
0099	Other intergovernmental charges	704,473	-	-	(704,473)
TP	Total primary government	<u>\$ 211,200,355</u>	<u>\$ 5,091,716</u>	<u>\$ 44,556,955</u>	<u>(161,551,684)</u>
Data Control Codes					
General revenues:					
Taxes:					
MT	Property taxes, levied for general purposes			70,822,072	
DT	Property taxes, levied for debt service			15,269,209	
GC	Grants and contributions not restricted			80,387,751	
IE	Investment earnings			173,600	
MI	Miscellaneous			1,964,052	
TR	Total general revenues			<u>168,616,684</u>	
CN	Change in net position			7,065,000	
NB	Net position (deficit), beginning			(18,120,624)	
NE	Net position (deficit), ending			<u>\$ (11,055,624)</u>	

Waco Independent School District
Balance Sheet
Governmental Funds
August 31, 2021

Exhibit C-1

Data Control Codes	10	24	50			
	General	Natl School Breakfast & Lunch Fund	Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds	
	Fund	Fund	Fund	Funds	Funds	
Assets						
1110	Cash and cash equivalents	\$ 55,888,196	\$ 3,729,444	\$ 4,853,824	\$ 972,641	\$ 65,444,105
1120	Investments	6,014,842	-	-	-	6,014,842
1220	Property taxes - delinquent	3,452,699	-	763,255	-	4,215,954
1230	Allowance for uncollectible taxes (credit)	(1,998,835)	-	(447,960)	-	(2,446,795)
1240	Receivables from other governments	2,378,227	620,083	-	7,530,869	10,529,179
1250	Accrued interest receivable	17,285	875	-	-	18,160
1260	Due from other funds	10,606,559	622,666	25,302	444,149	11,698,676
1290	Other receivables	46,777	-	-	36,224	83,001
1300	Inventories	394,866	-	-	-	394,866
	Total assets	<u>\$ 76,800,616</u>	<u>\$ 4,973,068</u>	<u>\$ 5,194,421</u>	<u>\$ 8,983,883</u>	<u>\$ 95,951,988</u>
Liabilities						
2110	Accounts payable	\$ 5,917,694	\$ 231,565	\$ -	\$ 920,516	\$ 7,069,775
2120	Other current liabilities	488,718	-	-	-	488,718
2150	Payroll deductions and withholdings payable	1,536,812	-	-	-	1,536,812
2160	Accrued wages payable	5,033,176	43,012	-	666,847	5,743,035
2170	Due to other funds	8,740,750	-	-	7,779,913	16,520,663
2180	Due to other governments	-	-	12,891	7,600	20,491
2300	Unearned revenues	86,367	-	-	427,681	514,048
	Total liabilities	<u>21,803,517</u>	<u>274,577</u>	<u>12,891</u>	<u>9,802,557</u>	<u>31,893,542</u>
Deferred Inflows of Resources						
2601	Unavailable revenues - property taxes	1,453,863	-	315,295	-	1,769,158
2600	Total deferred inflows of resources	<u>1,453,863</u>	<u>-</u>	<u>315,295</u>	<u>-</u>	<u>1,769,158</u>
Fund Balances						
Nonspendable fund balance:						
3410	Investments in inventory	394,866	-	-	-	394,866
Restricted fund balance:						
3450	Federal or state funds grant restriction	-	4,698,491	-	-	4,698,491
3480	Retirement of long-term debt	-	-	4,866,235	-	4,866,235
3490	Other restricted fund balance	1,751,786	-	-	-	1,751,786
Committed fund balance:						
3510	Construction and other major improvements	10,353,682	-	-	-	10,353,682
3530	Capital expenditures for equipment	698,078	-	-	-	698,078
3545	Other committed fund balance	4,660,606	-	-	639,096	5,299,702
3600	Unassigned fund balance	35,684,218	-	-	(1,457,770)	34,226,448
3000	Total fund balances	<u>53,543,236</u>	<u>4,698,491</u>	<u>4,866,235</u>	<u>(818,674)</u>	<u>62,289,288</u>
4000	Total liabilities, deferred inflows, and fund balances	<u>\$ 76,800,616</u>	<u>\$ 4,973,068</u>	<u>\$ 5,194,421</u>	<u>\$ 8,983,883</u>	<u>\$ 95,951,988</u>

Waco Independent School District
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
August 31, 2021

Exhibit C-1R

Fund balances - total governmental funds (Exhibit C-1) \$ 62,289,288

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

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

Governmental capital assets costs	\$ 333,875,674	
Accumulated depreciation of governmental capital assets	<u>(155,679,039)</u>	178,196,635

Property taxes receivable, that will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds. 1,769,158

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

Bonds payable, at original par	\$ (133,030,000)	
Premium on bonds payable	(12,627,535)	
Accrued interest on capital appreciation bonds	(9,616,813)	
Accrued interest on the bonds	(170,480)	
Net pension liability	(50,061,628)	
Net post-employment benefits liability	<u>(47,648,616)</u>	(253,155,072)

An internal service fund is used by the District to charge the costs of various services to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 3,564,375

Deferred charge on refunding is reported as deferred outflow in the statement of net position and is not reported in the funds because it is not a current financial resource available to pay for current expenditures. 16,321,291

Deferred outflows for pension and post-employment benefits represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenses/ expenditures) until then. 26,945,927

Deferred inflows for pension and post-employment benefits represents an acquisition of net position that applies to future period and will not be recognized as an inflow of resources (revenue) until that time. (46,987,226)

Net position (deficit) of governmental activities (Exhibit A-1) \$ (11,055,624)

Waco Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended August 31, 2021

Exhibit C-2

Data Control Codes	10 General Fund	24 Natl School Breakfast & Lunch Fund	50 Debt Service Fund	Non-major Governmental Funds	98 Total Governmental Funds
Revenues					
5700 Local and intermediate sources	\$ 73,103,342	\$ 224,966	\$ 15,357,123	\$ 4,613,545	\$ 93,298,976
5800 State program revenues	87,413,463	50,317	322,904	1,474,385	89,261,069
5900 Federal program revenues	4,469,013	7,612,209	-	21,641,181	33,722,403
5020 Total revenues	<u>164,985,818</u>	<u>7,887,492</u>	<u>15,680,027</u>	<u>27,729,111</u>	<u>216,282,448</u>
Expenditures					
Current:					
0011 Instruction	86,215,758	-	-	15,694,712	101,910,470
0012 Instructional resources and media	919,653	-	-	57,612	977,265
0013 Curriculum and instructional staff development	4,083,940	-	-	4,353,430	8,437,370
0021 Instructional leadership	4,065,839	-	-	907,434	4,973,273
0023 School leadership	9,968,069	-	-	438,066	10,406,135
0031 Guidance, counseling, and evaluation services	4,990,633	-	-	2,129,151	7,119,784
0032 Social work services	809,269	-	-	243,128	1,052,397
0033 Health services	1,555,123	-	-	181,413	1,736,536
0034 Student transportation services	3,375,332	-	-	-	3,375,332
0035 Food services	-	6,847,186	-	383,969	7,231,155
0036 Extracurricular activities	4,608,652	-	-	367,835	4,976,487
0041 General administration	5,684,608	-	-	39,309	5,723,917
0051 Plant maintenance and operations	18,127,818	-	-	198,862	18,326,680
0052 Security and monitoring services	2,482,856	-	-	654,380	3,137,236
0053 Data processing services	2,927,905	-	-	690,417	3,618,322
0061 Community services	646,517	-	-	1,023,736	1,670,253
Debt service:					
0071 Principal	-	-	8,410,000	-	8,410,000
0072 Interest	-	-	5,236,916	-	5,236,916
0073 Bond issuance cost and fees	-	-	1,038,022	-	1,038,022
Capital outlay:					
0081 Facilities acquisition, construction, and improvements	5,145,251	-	-	1,457,770	6,603,021
Intergovernmental:					
0093 Payments to fiscal agent/member districts of shared services arrangements	330,000	-	-	-	330,000
0095 Payments related to Juvenile Justice Alternative Education Program	295,918	-	-	-	295,918
0097 Payments to tax increment fund	7,049,304	-	1,158,034	-	8,207,338
0099 Other intergovernmental charges	704,473	-	-	-	704,473
6030 Total expenditures	<u>163,986,918</u>	<u>6,847,186</u>	<u>15,842,972</u>	<u>28,821,224</u>	<u>215,498,300</u>
1100 Excess (deficiency) of revenues over (under) expenditures	<u>998,900</u>	<u>1,040,306</u>	<u>(162,945)</u>	<u>(1,092,113)</u>	<u>784,148</u>
Other Financing Sources (Uses)					
7901 Refunding bonds issued	-	-	106,740,000	-	106,740,000
7912 Sale of real and personal property	30,000	-	-	-	30,000
7915 Transfers in	64,079	565,252	1,566	271,142	902,039
7916 Premium on refunding bonds issued	-	-	17,420,122	-	17,420,122
8911 Transfers out	(230,190)	-	-	(671,849)	(902,039)
8940 Payment to refunded bond escrow agent	-	-	(123,123,290)	-	(123,123,290)
Total other financing sources (uses)	<u>(136,111)</u>	<u>565,252</u>	<u>1,038,398</u>	<u>(400,707)</u>	<u>1,066,832</u>
1200 Net change in fund balances	862,789	1,605,558	875,453	(1,492,820)	1,850,980
0100 Fund balances, beginning	52,680,447	3,092,933	3,990,782	674,146	60,438,308
3000 Fund balances, ending	<u>\$ 53,543,236</u>	<u>\$ 4,698,491</u>	<u>\$ 4,866,235</u>	<u>\$ (818,674)</u>	<u>\$ 62,289,288</u>

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

Waco Independent School District
Reconciliation of Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended August 31, 2021

Exhibit C-2R

Total net changes in fund balances - Governmental Funds (Exhibit C-2) \$ 1,850,980

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

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

Capital assets increase	\$ 8,404,198	
Depreciation expense	<u>(7,675,233)</u>	728,965

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments, and dispositions) is a decrease to net position. (690,130)

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. The increase in deferred tax revenues is an increase to net position. 482,442

Repayment of bond and note principal is an expenditure in the governmental funds. The repayment reduces long-term liabilities in the statement of net position. 8,410,000

Issuance of refunding bonds provides current financial resources to governmental funds. The issuance of debt increases long-term liabilities in the statement of net position.

Par value of bonds issued	\$ (106,740,000)	
Premium	(8,028,126)	
Accreted interest	<u>(9,391,996)</u>	(124,160,122)

Payment to escrow agent, from refunding proceeds to pay refunded bonds. 123,123,290

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

Accrued interest on current interest bonds payable decreased	\$ 90,499	
Interest accreted on capital appreciation bonds	(38,034)	
Amortization of bond premiums	1,193,523	
Amortization of charge on refunding	<u>(1,166,608)</u>	79,380

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

Deferred outflows decrease	\$ (5,097,255)	
Deferred inflows decrease	1,965,143	
Net pension liability increase	<u>(1,425,009)</u>	(4,557,121)

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

Deferred outflows increase	\$ 565,701	
Deferred inflows increase	(9,001,967)	
Net other post-employment benefits liability decrease	<u>10,605,113</u>	2,168,847

An internal service fund is used by the District to charge the costs of various services to the individual funds. The change in net position of the following internal service fund is reported in the government-wide statements. (371,531)

Changes in net position of governmental activities (Exhibit B-1) \$ 7,065,000

Waco Independent School District
Statement of Net Position
Proprietary Fund
August 31, 2021

Exhibit D-1

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Assets	
Current assets:	
Due from other funds	\$ 4,755,244
Other receivables	16,167
Prepayments	<u>28,689</u>
Total assets	<u>4,800,100</u>
Liabilities	
Current liabilities:	
Accounts payable	416,313
Short term claims payable	818,031
Payroll deductions and withholdings payable	<u>1,381</u>
Total liabilities	<u>1,235,725</u>
Net Position	
Unrestricted net position	<u>3,564,375</u>
Total net position	<u>\$ 3,564,375</u>

Waco Independent School District
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year Ended August 31, 2021

Exhibit D-2

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Operating revenues:	
Employee contributions	\$ 3,082,481
Insurance recoveries	52,210
Rebates on prescription drugs	880,299
Assessments to other funds	<u>9,516,679</u>
Total operating revenues	<u>13,531,669</u>
Operating expenses:	
Contracted administrative services	1,438,963
Reinsurance	1,575,780
Fees	6,580
Claims expense	10,879,173
Other operating expenses	<u>2,704</u>
Total operating expenses	<u>13,903,200</u>
Change in Net Position	(371,531)
Net position:	
Net position, beginning	<u>3,935,906</u>
Net position, ending	<u><u>\$ 3,564,375</u></u>

Waco Independent School District
Statement of Cash Flows
Proprietary Fund
For the Year Ended August 31, 2021

Exhibit D-3

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Cash Flows from Operating Activities	
Cash received from employee contributions	\$ 3,082,481
Cash received from insurance recoveries	52,210
Cash received from rebates on prescription drugs	880,299
Cash received from assessments to other funds	9,888,210
Cash payments for contracted administrative services	(1,438,963)
Cash payments for reinsurance	(1,575,780)
Cash payments for claims	(10,879,173)
Cash payments for fees	(6,580)
Cash payments for other operating costs	<u>(2,704)</u>
Net cash provided by operating activities	<u>-</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u><u>\$ -</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	\$ (371,531)
Effects of increases and decreases in current assets and liabilities:	
Decrease in receivables	72,919
Decrease in prepaid expenses	162,311
Increase in accounts payable	121,421
Decrease in payroll deductions and withholdings payable	(231)
Increase in claims liability	<u>15,111</u>
Net cash provided by operating activities	<u><u>\$ -</u></u>

Waco Independent School District
Statement of Fiduciary Net Position
Fiduciary Funds
August 31, 2021

Exhibit E-1

	<u>Custodial Fund</u>
Assets	
Investments	\$ 15,310
Accrued interest	17
Due from other funds	<u>66,743</u>
Total assets	<u>\$ 82,070</u>
Liabilities	
Accounts payable	\$ 925
Sales tax payable	<u>70</u>
Total liabilities	<u>995</u>
Net Position	
Restricted for other purposes	<u>81,075</u>
Total net position	<u><u>\$ 81,075</u></u>

Waco Independent School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended August 31, 2021

Exhibit E-2

	<u>Custodial Fund</u>
Additions:	
Earnings from investments	\$ 234
Miscellaneous revenue from student activities	<u>39,491</u>
Total additions	<u>39,725</u>
Deductions:	
Payroll costs	636
Contracted services	25,647
Supplies and materials	16,067
Scholarships and awards granted	50
Other miscellaneous operating expenses	<u>5,317</u>
Total deductions	<u>47,717</u>
Change in net position	(7,992)
Net position, beginning	<u>89,067</u>
Net position, ending	<u><u>\$ 81,075</u></u>

Note 1. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

The Waco Independent School District Public Facilities Corporation (the "PFC") has been included as a blended component unit within the reporting entity. Created in February 1999 for the purpose of constructing a stadium facility for the District and governed by the same Board that governs the District, the PFC issued lease revenue bonds in the amount of \$4,300,000 and signed a lease agreement with the District for the use of the stadium. These bonds have been retired.

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

The District reports the following major governmental funds or governmental funds of special interest:

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

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

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

The District reports the following non-major governmental funds:

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

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

The District reports the following proprietary fund type:

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

The District reports the following fiduciary fund type:

Custodial fund - The District accounts for resources held for others in a custodial capacity in a custodial fund. These funds are used to account for assets held by the District as an agent for student and other organizations.

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

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

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

Basis of Accounting and Measurement Focus

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

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

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

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

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

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

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

Use of estimates

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

Data Control Codes

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

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

Cash, cash equivalents, and investments

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

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

Property taxes

Property taxes are levied by October 1 on the assessed value 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 delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when collected.

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

Interfund receivables and payables

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

Inventories and prepaid items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased, with the exception of software licenses which are recorded using the purchases method.

Capital assets

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

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

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

Assets	Years
Buildings	50
Building improvements and improvements other than buildings	6 - 50
Infrastructure	10 - 35
Furniture and equipment	4 – 25
Vehicles	8 - 10

Land and construction in progress are not depreciated.

Long-term obligations

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

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

Deferred outflows/inflows of resources

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

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

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

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

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

Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-employment benefits (OPEB) liability

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

Government-wide net position

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

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

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

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

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

Governmental fund balance classifications and policies

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

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

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

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

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

Unassigned fund balance – The portion of the spendable fund balance that is not constrained and may be spent for any legal purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

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

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

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

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

Encumbrances

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

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

At August 31, 2021 certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:	
	Restricted	Committed
	Fund Balance	Fund Balance
General fund	\$ -	16,545,667
National School Breakfast & Lunch Fund	664,714	-
Total encumbrances	<u>\$ 664,714</u>	<u>16,545,667</u>

Note 3. Cash and Investments

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

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

The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District’s and the depository bank’s agent bank. The pledged securities are in compliance with the Texas Government Code, Chapter 2257, “Collateral for Public Funds”, and are sufficient

to meet the terms agreed to in the current depository contract. The District's depository agreement with the bank requires an irrevocable standby letter of credit issued in favor of the District by the Federal Home Loan Bank of Dallas.

At August 31, 2021, the combined carrying amount of cash, savings and time deposit accounts recorded with the District's depository financial institution was \$7,271,802. The bank's combined balances totaled \$9,332,506. District funds are insured by full Federal Deposit Insurance Corporation (FDIC) coverage up to \$250,000 for combined demand accounts and \$250,000 for the combined amount of all time and savings accounts with the remaining amount secured by the letter of credit issued in the amount of \$45,000,000. In addition, the following is disclosed regarding coverage of combined cash and certificates of deposit balances on the date of highest deposit:

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

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

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

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

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

For fiscal year 2021, the District invested in certificates of deposits (direct purchase bank issue and brokered) and other FDIC insured deposits, commercial paper, public funds investment pools, and money market funds.

In accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, certain District investments have been recorded at fair value based upon quoted market prices as of August 31, 2021 with the increase or decrease in fair value being recorded as a component of earnings on investments. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

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

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

As of August 31, 2021, the District's governmental activities cash and cash equivalents and investments with respective maturities and credit rating are as follows:

Type of Investment	Book Value	Fair Value Measurement Using Significant		Percent of Total Cash and Investments	Weighted Average Maturity (Days)	Credit Risk
		Other Observable Inputs (Level 2)				
Governmental Funds:						
Cash and cash equivalents:						
Cash on hand	\$ 22,408	\$ -		0.0%	-	
Cash in depository	7,271,802	-		10.2%	-	Not rated**
Certificates of deposit	5,944,000	-		8.3%	259	Not rated**
Insured Cash Shelter, First National Bank of McGregor	10,033,781	-		14.0%	-	Not rated**
Insured Cash Shelter, Landing Rock	11,761,372	-		16.5%	-	Not rated**
Investment pools measured at amortized cost:						
Lone Star Government Overnight	3,745,718	-		5.2%	45	AAAm*
TexasDAILY	288,208	-		0.4%	22	AAAm*
TexPool	20,477,895	-		28.7%	31	AAAm*
Investments subject to fair value, not subject to level reporting:						
Lone Star Corporate Overnight Plus	1,006,157	-		1.4%	75	AAAf/S1+
Texas Class	4,892,764	-		6.8%	63	AAAm*
Total cash and cash equivalents	<u>65,444,105</u>	<u>-</u>		<u>91.6%</u>		
Investments:						
Investments measured at fair value, subject to level reporting:						
TexasTERM fixed rate, fixed term	6,014,842	6,014,842		8.4%	124	AAAf/AAAkf
Total investments	<u>6,014,842</u>	<u>6,014,842</u>		<u>8.4%</u>		
Total value	<u>\$ 71,458,947</u>	<u>\$ 6,014,842</u>		<u>100.0%</u>		
Portfolio weighted average maturity					<u>54</u>	
Fiduciary Funds:						
Cash and cash equivalents:						
Certificates of Deposit, Extraco Bank	\$ 3,648	\$ -		23.8%		Not rated**
Certificates of Deposit, First National Bank of McGregor	6,662	-		43.5%	81	Not rated**
Certificates of Deposit, First National Bank of McGregor	5,000	-		32.7%	81	Not rated**
Total value	<u>\$ 15,310</u>	<u>\$ -</u>		<u>100.0%</u>		
Portfolio weighted average maturity					<u>62</u>	

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

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

investments. The CDs in which a participant invests are direct investments of the participant, are not assets of the Texas TERM Local Government Investment Pool, and are not held in any portfolio of the Pool.

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

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

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

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

The Lone Star Corporate Overnight Plus and Texas CLASS investment pools are external investment pools measured at fair value, i.e., their net asset value. Such investment pool's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to the investment pools. Such investment pools have a redemption notice period of one day and may redeem daily.

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

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

Interest Rate Risk

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

average stated maturity of 90 days or less, and no-load mutual funds must have an average weighted maturity of less than two years.

Custodial Credit Risk for Deposits

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

Custodial Credit Risk for Investments

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

Credit Risk

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

Concentration of Credit Risk

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

The net increase in the fair value of investments during the year ended August 31, 2021, is included in investment earning as follows:

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

Note 4. Local Revenues and Property Taxes

Local and intermediate sources revenues are comprised of the following:

	General Fund	National School Breakfast and Lunch Fund	Debt Service Fund	Non-major Governmental Funds	Total
Property taxes	\$ 70,423,058	\$ -	\$ 15,185,781	\$ -	\$ 85,608,839
Other tax related income	736,295	-	159,382	-	895,677
SSA revenue from member districts	-	-	-	1,753,076	1,753,076
Services to other districts	-	-	-	-	-
Tuition and fees	81,914	-	-	2,180,388	2,262,302
Investment income	161,640	(983)	11,960	-	172,617
Rental income	114,757	-	-	-	114,757
Gifts and bequests	81,252	-	-	491,752	573,004
Insurance recoveries	987,119	-	-	-	987,119
Food sales	-	192,113	-	191	192,304
Extracurricular activities	257,372	-	-	76,259	333,631
Other charges for services	189,935	33,836	-	111,879	335,650
Other intermediate source revenue	70,000	-	-	-	70,000
	<u>\$ 73,103,342</u>	<u>\$ 224,966</u>	<u>\$ 15,357,123</u>	<u>\$ 4,613,545</u>	<u>\$ 93,298,976</u>

Property taxes

Appraisal of property within the District is the responsibility of the McLennan County Appraisal District. The District's ad valorem property tax is levied on October 1 on the assessed value as of the prior January 1 for all real and business personal property located in the District. Taxes are due and payable on receipt of the tax bill. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest imposed. The assessed value of the roll on January 1, 2020 was \$10,056,055,942. After deductions of all exemptions and reductions provided by law, the 2020 tax levy was based on a net taxable value of \$6,383,598,838.

The tax rates assessed for the year ended August 31, 2021, to finance general fund operations and the payment of principal and interest on long-term debt were \$1.03980 and \$0.22415 per \$100 valuation, respectively, for a total rate of \$1.26395 per \$100 valuation. Property tax revenues are considered available when collected. Current tax collections for the fiscal year ended August 31, 2021, were 97.77% of the adjusted tax levy.

All taxes become delinquent on February 1 of the subsequent year. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based upon historical experience in collecting property taxes. The District has provided an allowance for estimated uncollectible property taxes and estimated adjustments within the general and debt service funds of \$1,998,835 and \$447,960, respectively.

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

Note 5. Receivables

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

Funds	General Fund	National School Breakfast & Lunch Pgm	Debt Service Fund	Non-major Governmental Funds	Total
Property taxes, delinquent	\$3,452,699	\$ -	\$ 763,255	\$ -	\$ 4,215,954
Due from other governments					
Federal	8,739	-	-	95,500	104,239
State	2,369,488	620,083	-	7,370,774	10,360,345
Other governments	-	-	-	64,595	64,595
Accrued interest	17,285	875	-	-	18,160
Other receivables	46,777	-	-	36,224	83,001
Gross receivables	5,894,988	620,958	763,255	7,567,093	14,846,294
Less: Allowance for uncollectible taxes	(1,998,835)	-	(447,960)	-	(2,446,795)
Net receivables	<u>\$3,896,153</u>	<u>\$ 620,958</u>	<u>\$ 315,295</u>	<u>\$ 7,567,093</u>	<u>\$ 12,399,499</u>

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

Receivables in the custodial funds consist of accrued interest of \$17.

Note 6. Unearned Revenue

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

A summary of unearned revenue by fund follows:

	Unearned Revenue
General Fund	
Special Education Fiscal Support Grant	\$ 86,367
Other governmental funds	
Grant funds received prior to meeting eligibility requirements	427,681
Total	\$ 514,048

Note 7. Interfund Balances and Transfers

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

Interfund balances at August 31, 2021, consisted of the following:

Funds	Receivable	Payable
General fund	\$10,606,559	\$ 8,740,750
National School Breakfast and Lunch fund	622,666	-
Other non-major governmental funds	442,375	6,320,369
Debt Service fund	25,302	
Capital Projects fund	-	1,457,770
Internal Service fund	4,755,244	-
Custodial funds	66,743	-
Total interfund balances	\$16,518,889	\$16,518,889

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, 2021, operating transfers were made between the following funds:

Funds	Transfer In	Transfer Out
General fund	\$ 64,079	\$ 230,190
National School Breakfast and Lunch fund	565,252	-
Other non-major governmental funds	271,142	671,849
Debt Service fund	1,566	-
Total operating transfers	\$ 902,039	\$ 902,039

During the fiscal year ended August 31, 2021, the District made the following one-time transfers:

- Transfer in the amount of \$224,972 from the General Fund to a non-major Special Revenue Fund to cover the operating deficit for the Regional Day School for the Deaf.
- Insurance recovery, in the amount of \$5,218 and received in the prior year, was transferred from the General Fund to the National School Lunch and Breakfast Fund to cover the cost of repairing a vehicle.
- Excess prior years' funds from the Summer Feeding Program in the amount of \$560,034 were transferred, as allowed by the Texas Department of Agriculture, to the National School Lunch and Breakfast Fund to assist in the purchase of food service equipment.
- Remaining funds, in the amount of \$1,566, were transferred from a non-major governmental fund, Capital Projects Fund, Series 2009, to the Debt Service fund to be used in the retirement of bonded debt.
- Additionally, \$46,170 was transferred between same source local and foundation grants to consolidate remaining funds, cleaning up any overexpenditures from prior years. Another \$64,079 of remaining funds was transferred to the general fund in an effort to clean-up closed grants, some of which dated back prior to 2014.

Note 8. Capital Assets

Capital asset activity for the District for the year ended August 31, 2021 was as follows:

	Balance September 1, 2020	Additions	Retirements and Transfers	Balance August 31, 2021
<i>Capital assets, not being depreciated:</i>				
Land	\$ 9,310,772	\$ -	\$ -	\$ 9,310,772
Construction in progress	-	6,419,420	-	6,419,420
Total capital assets, not being depreciated	<u>9,310,772</u>	<u>6,419,420</u>	<u>-</u>	<u>15,730,192</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	285,197,703	278,120	(3,289,152)	282,186,671
Furniture, equipment, and vehicles	35,300,523	1,706,658	(1,048,370)	35,958,811
Total capital assets, being depreciated	<u>320,498,226</u>	<u>1,984,778</u>	<u>(4,337,522)</u>	<u>318,145,482</u>
Less accumulated depreciation for:				
Buildings and improvements	124,710,922	5,745,016	(2,645,070)	127,810,868
Furniture, equipment, and vehicles	26,940,276	1,930,217	(1,002,322)	27,868,171
Total accumulated depreciation	<u>151,651,198</u>	<u>7,675,233</u>	<u>(3,647,392)</u>	<u>155,679,039</u>
Total capital assets, being depreciated, net	<u>168,847,028</u>	<u>(5,690,455)</u>	<u>(690,130)</u>	<u>162,466,443</u>
Governmental activities capital assets, net	<u>\$ 178,157,800</u>	<u>\$ 728,965</u>	<u>\$ (690,130)</u>	<u>\$ 178,196,635</u>

Depreciation expense of the governmental activities for the year ended August 31, 2021 was charged to the functions as follows:

Function	Description	Amount
11	Instruction	\$ 4,443,823
12	Instructional resources and media services	180,945
13	Curriculum and instructional staff development	11,530
21	Instructional leadership	90,075
23	School leadership	91,958
31	Guidance, counseling, and evaluation services	39,911
33	Health services	39,129
34	Student transportation services	539,251
35	Food services	604,829
36	Extracurricular activities	760,724
41	General administration	97,420
51	Plant maintenance and operations	327,338
52	Security and monitoring services	87,517
53	Data processing services	339,671
61	Community services	<u>21,112</u>
	Total depreciation expense - governmental activities	<u>\$ 7,675,233</u>

Note 9. Long-term Liabilities

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

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

Changes in long-term liabilities

Long-term liability activity for the year ended August 31, 2021, was as follows:

	Balance September 1, 2020	(Provisions) and Additions	Reductions	Balance August 31, 2021	Due Within One Year
Bonds payable:					
General obligation bonds, par	\$ 141,440,000	\$ 106,740,000	\$ (115,150,000)	\$ 133,030,000	\$ 10,370,000
Premiums	16,818,595	8,028,126	(12,219,186)	12,627,535	-
Accumulated accretion	186,783	9,430,030	-	9,616,813	-
Total bonds payable	158,445,378	124,198,156	(127,369,186)	155,274,348	10,370,000
Net pension liability	48,636,619	5,523,793	(4,098,784)	50,061,628	-
Other post-employment benefits liability	58,253,729	3,707,416	(14,312,529)	47,648,616	-
Total long-term liabilities	<u>\$ 265,335,726</u>	<u>\$ 133,429,365</u>	<u>\$ (145,780,499)</u>	<u>\$ 252,984,592</u>	<u>\$ 10,370,000</u>

General obligation bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities and to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These are issued as current interest bonds or capital appreciation bonds (CAB). Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indenture. The \$133,030,000 in outstanding general obligation bonds and related liabilities comprises debt backed by the full faith of the State of Texas Permanent School Fund.

General obligation bonds outstanding at August 31, 2021 are as follows:

Series	Interest Rate	Original Issue Amount	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2014	2.00%-4.00%	8,320,000	2025	\$ 8,080,000	\$ -	\$ (8,065,000)	\$ 15,000
2014 (CAB)	2.70%	150,000	2023	150,000	-	-	150,000
2015	2.00%-5.00%	96,730,000	2038	88,165,000	-	(80,825,000)	7,340,000
2016	2.00%-5.00%	47,120,000	2038	45,045,000	-	(25,270,000)	19,775,000
2021	1.44%-5.00%	105,915,000	2038	-	105,915,000	(990,000)	104,925,000
2021 (CAB)	0.46%-0.73%	825,000	2025	-	825,000	-	825,000
Totals -- bonds payable at original par value				141,440,000	106,740,000	(115,150,000)	133,030,000
Deferred amounts:							
For issuance premiums				16,818,595	8,028,126	(12,219,186)	12,627,535
For accreted interest				186,783	9,430,030	-	9,616,813
Totals -- bonds payable				<u>\$ 158,445,378</u>	<u>\$ 124,198,156</u>	<u>\$ (127,369,186)</u>	<u>\$ 155,274,348</u>

General obligation bonds mature serially and the capital appreciation bonds accrete in value through 2025. Debt service requirements for general obligation bonds are as follows:

Year Ended August 31,	Principal	Interest	Total
2022	\$ 10,370,000	\$ 4,091,517	\$ 14,461,517
2023	6,020,000	4,488,316	10,508,316
2024	2,135,000	7,647,567	9,782,567
2025	2,000,000	7,788,067	9,788,067
2026	6,975,000	3,114,317	10,089,317
2027-2031	40,290,000	10,147,783	50,437,783
2032-2036	46,250,000	4,206,636	50,456,636
2037-2038	18,990,000	534,992	19,524,992
	<u>133,030,000</u>	<u>\$ 42,019,195</u>	<u>\$175,049,195</u>

A portion of the bonds sold in 2014 and 2021 were capital appreciation bonds, commonly referred to as “premium compound interest bonds”. These bonds were issued at a discount to their par or maturity value and will accrete interest until maturity. The following reflects the total accreted value of outstanding capital appreciation bonds at August 31, 2021.

Series	Amount Due at Maturity	Amount Received at Issue	Total to be Accreted	Balance September 1, 2020	Current Year Accretion	Additions / Maturities	Balance August 31, 2021
UTRB, Series 2014	365,000	150,000	215,000	186,783	9,155	-	195,938
UTRB, Series 2021	10,470,000	825,000	9,645,000	-	28,879	9,391,996	9,420,875
Total	<u>\$ 10,835,000</u>	<u>\$ 975,000</u>	<u>\$ 9,860,000</u>	<u>\$ 186,783</u>	<u>\$ 38,034</u>	<u>\$ 9,391,996</u>	<u>\$ 9,616,813</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. The District is in compliance with all significant limitations and restrictions at August 31, 2021. The District’s interest and sinking (I&S) ad valorem tax rate is subject to a \$0.50 tax rate cap limitation. The District’s I&S tax rate for the 2021 tax year was \$0.22415.

As of August 31, 2021, the District had no authorized but unissued unlimited tax bonds.

Advance Refunding

The District issued refunding bonds during the year ended August 31, 2021 to refinance existing debt.

In January 2021, the District issued \$105,915,000 of current interest bonds (CIBs) and \$825,000 of premium capital appreciation bonds (CABs). The proceeds of the refunding bonds were used to legally defease \$106,740,000 of previously issued bonds in order to lower its overall debt service requirements. The reacquisition price exceeded the net carrying value of the old debt by \$14,043,355. The District advance-refunded the bonds in order to reduce its future debt service payments by \$15,874,341 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$13,606,049.

In prior years, the District defeased certain outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the respective trust account assets and related liabilities for the defeased bonds are not included in the District’s financial statements.

At year end, the following outstanding bonds are considered defeased:

Series	Balance at August 31
Unlimited Tax Refunding Bonds, Series 2014	\$ 8,050,000
Unlimited Tax Refunding Bonds, Series 2015	77,250,000
Unlimited Tax Refunding Bonds, Series 2016	<u>22,090,000</u>
Total	<u>\$107,390,000</u>

Arbitrage

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

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

The District estimates and updates its liability annually for all tax-exempt issuances, as required by law. Final arbitrage calculations on the Unlimited Tax Refunding Bonds, Series 2016 were completed in November 2021. As of August 31, 2021, there was no arbitrage rebate liability on the issued bonds.

Note 10. Pension obligations under defined benefit retirement plan

Plan description

The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit plan established and administered in accordance with provisions of the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefit provisions and contribution rates within the guidelines of the Texas Constitution. The Board of Trustees does not have the authority to establish or amend benefits.

Pension plan fiduciary net position

Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements, notes, and required supplementary information. The report may be obtained on the Internet at <https://trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting “About TRS”, “Publications”, and “Financial Reports”. The separately issued GASB 67 actuarial valuation is available under “About TRS”, “Publications”, “Actuarial Valuation Reports” or by writing to TRS at: 1000 Red River Street, Austin, Texas 78701-2698.

Benefits provided

TRS provides retirement, disability, and death benefits. Membership in the Plan includes all employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, Title 8, Section 822.002.

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as a supplemental payment to the retirees. The pension became actuarially sound in May 2019 when the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provided gradual contribution increases from the state, participating employers and active employees for the fiscal years 2019 through 2024.

Contributions

Contribution requirements are established or amended pursuant to the following state laws:

- Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.
- Government Code section 821.006 prohibits benefit improvements if it increases the amortization period of TRS’ unfunded actuarial liability to greater than 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System’s actuary.

As the non-employer contributing entity, the State of Texas contributes to the retirement system the current employer contribution rate times the aggregate annual compensation of all members of the Plan during the fiscal year, reduced by the employer contributions described below.

All participating employers and the State of Texas, as the employer for senior universities and medical schools, are required to pay the employer contribution rate in the following situations:

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

The following table shows contributions to the Plan by type of contributor for the fiscal years 2019 through 2021.

	Contribution Rates		
	2021	2020	2019
Member	7.7%	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%	6.8%
Employers (District)	7.5%	7.5%	6.8%
Employers (District) - Non-OASDI)*	1.6%	1.5%	1.5%

**SB12 requires an increase in employer contributions by public school districts, charter schools, and regional education service centers. Prior to SB12, only those employers not participating in social security were required to pay a 1.5% contribution (Non-OASDI surcharge). Beginning September 1, 2019, all employers are required to pay the Public Education Employer contribution irrespective of participation in social security.*

The contribution amounts for the District's fiscal year 2021 are as follows:

Employer Contributions	\$ 4,008,686
Member Contributions	8,282,250
Non-Employer Contributing Entity On-Behalf Contributions (State)	5,543,293

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

- All public schools, charter schools and regional education service centers must contribute 1.6% of the member’s salary beginning in fiscal year 2021, gradually increasing to 2.0% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial assumptions

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were primarily based on a study of actual experience for the three year period ending August 31, 2017. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published projection scale (“U-MP”). The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, also with full generational mortality.

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020. The following table discloses the assumptions that were applied to this measurement period.

Valuation date	August 31, 2019, rolled forward to August 31, 2020
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Single discount rate	7.25%
Long-term expected rate	7.25%
Municipal bond rate	2.33%*
Last year ending August 31 in projection period (100 years)	2119
Inflation	2.30%
Salary increases	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

** The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index".*

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

Discount rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 legislative session. It is assumed that future non-member contributions will be 8.5% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several fiscal years. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System’s target asset allocation as of August 31, 2020 (see page 53 of the TRS CAFR) are summarized below:

Asset Class	FY 2020 Target Allocation Percent ¹	Long-term Expected Geometric Real Rate of Return ²	Expected Contribution to Long-term Portfolio Returns
Global Equity			
U.S.	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
Stable Value			
Government Bonds	16.00%	-0.70%	-0.05%
Absolute Return (including Credit Sensitive Investments)	0.00%	1.80%	0.00%
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.02%
Energy, Natural Resources, and Infrastructure	6.00%	6.00%	0.42%
Commodities	0.00%	0.80%	0.00%
Risk Parity	8.00%	3.00%	0.30%
Asset Allocation Leverage			
Cash	2.00%	-1.50%	-0.03%
Asset Allocation Leverage	-6.00%	-1.30%	0.08%
Inflation Expectation			2.00%
Volatility Drag³			-0.67%
Expected Return	<u>100.00%</u>		<u>7.33%</u>

¹ Target allocations are based on the FY 2020 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).

³ The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount rate sensitivity analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability and the District’s proportionate share of the respective net pension liability.

	1% Decrease in Discount Rate <u>6.25%</u>	Current Single Discount Rate <u>7.25%</u>	1% Increase in Discount Rate <u>8.25%</u>
Sensitivity of the Net Pension Liability to the Single Discount Rate Assumptions	\$ 77,194,135	\$ 50,061,628	\$ 28,017,061

Changes in assumptions since the prior measurement date

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

Change in benefit terms since the prior measurement date

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

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

At August 31, 2021, the District reported a liability of \$50,061,628 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$	50,061,628
State's proportionate share of the net pension liability associated with the District		<u>70,992,607</u>
Total	\$	<u>121,054,235</u>

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

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0934718727% which was a decrease of 0.0000904483% from its proportion measured as of August 31, 2019. The change in the employer's proportion of the net pension liability was primarily due to proportionality adjustments for contributions.

For the year ended August 31, 2021, the District recognized pension expense of \$17,104,641 and revenue of \$8,538,834 for support provided by the State.

At August 31, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 91,409	\$ 1,397,087
Changes in assumptions	11,616,079	4,939,076
Difference between projected and actual investment earnings	1,013,455	-
Changes in proportion and differences between district contributions and the proportionate share of contributions (cost-sharing plan)	2,599,372	1,524,221
District contributions paid subsequent to the measurement date	<u>4,008,686</u>	-
Total	<u>\$19,329,001</u>	<u>\$ 7,860,384</u>

The \$4,008,686 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended August 31, 2022.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended August 31,</u>	<u>Pension Expense Amount</u>
2022	\$ 2,605,339
2023	2,471,747
2024	2,217,943
2025	634,177
2026	(456,040)
Thereafter	<u>(13,235)</u>
Total	<u>\$ 7,459,931</u>

Note 11. Defined other post-employment benefit plan

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined Other Post-Employment Benefit (OPEB) plan. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

Plan fiduciary net position

Detailed information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. The report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at: 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512) 542-6592.

Benefits provided

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052.

The General Appropriations Act passed by the 86th legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86th legislature also passed Senate Bill 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures.

The premium rates for retirees are reflected in the following table.

TRS-Care Plan Premium Rates
Effective January 1, 2019 - December 31, 2021

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

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The employer contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee’s pay for fiscal year 2021.

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

	2021	2020	2019
Active employee	0.65%	0.65%	0.65%
Non-employer contribution entity (state)	1.25%	1.25%	1.25%
Employers/District	0.75%	0.75%	0.75%
Federal/private funding remitted by employer	1.25%	1.25%	1.25%

The contribution amounts for the District’s fiscal year 2021 are as follows:

District (employer) contributions	\$ 959,412
Member (employee) contributions	699,163
State on-behalf contributions (Non-employer contributing entity)	1,224,996
State on-behalf contributions - Medicare Part D	478,968

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-employer Contributing Entity in the amount of \$2.2 million for fiscal year 2020 and \$3.3 million for fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers, per Senate Bill 1264 of the 86th legislature.

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Updated procedures were used to roll forward the total OPEB liability to August 31, 2020.

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

The following additional actuarial methods and assumptions were employed in the August 31, 2020 actuarial valuation of the total OPEB liability:

Valuation date	August 31, 2019, rolled forward to August 31, 2020
Actuarial cost method	Individual entry age normal
Single discount rate	2.33%
Inflation	2.30%
Aging factors	Based on plan specific experience
Election rates	Normal retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected salary increases	3.05% to 9.05%, including inflation
Healthcare trend rates	Initial medical trend rate of 9.00% for Medicare retirees and 7.30% for non-Medicare retirees. Initial prescription drug trend rate of 9.00% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.
Ad hoc post-employment benefit changes	None

Discount rate

A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of 0.30% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate.

Sensitivity of the net OPEB liability

Discount rate sensitivity analysis

The following schedule presents the District’s proportionate share of net OPEB liability of the plan if the discount rate used was one-percentage point lower, 1.33%, or one-percentage point higher, 3.33% than the rate that was used (2.33%) in measuring the net OPEB liability.

Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumptions		
1% Decrease (1.33%)	Current Single Discount Rate (2.33%)	1% Increase (3.33%)
\$ 57,178,230	\$ 47,648,616	\$ 40,121,588

Healthcare Cost Trend Rates Sensitivity Analysis

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

Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions		
	Current Healthcare Cost Trend Rate	
<u>1% Decrease</u>		<u>1% Increase</u>
\$ 38,922,814	\$ 47,648,616	\$ 59,270,150

Changes since the prior actuarial valuation

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

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

Change in benefit terms since the prior measurement date

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

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

At August 31, 2021, the District reported a liability of \$47,648,616 for its proportionate share of the TRS's net OPEB liability. This liability reflects an increase for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ 47,648,616
State's proportionate share of the net OPEB liability associated with the District	<u>64,028,318</u>
Total	<u>\$ 111,676,934</u>

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

At August 31, 2020, the employer's proportion of the collective net OPEB liability was 0.125343214% which was an increase of 0.002162374% from its proportion measured as of August 31, 2019.

For the year ended August 31, 2021, the District recognized a total OPEB expense of (\$1,654,023) which includes the on-behalf portion of (\$444,588) from the State.

The primary reasons for the liability reduction and the presentation of negative OPEB expense for the District and the State were due to savings to the fully-insured Medicare Advantage premiums, which resulted from Congress' repeal of the Health Insurer fee in December 2019 and vendor premium guarantees, and favorable claims and rebate experience for the prescription drug benefits provided to Medicare retirees.

At August 31, 2021, the District reported the District's contribution after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,494,863	\$21,806,443
Changes of assumptions	2,938,929	13,084,556
Difference between projected and actual earnings on OPEB investments	15,484	-
Changes in proportion and differences between district contributions and proportionate share of contributions	1,208,238	4,235,843
District contributions subsequent to measurement date	959,412	-
Totals	<u>\$ 7,616,926</u>	<u>\$39,126,842</u>

\$959,412 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ended August 31, 2022. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to OPEB will be recognized in OPEB income as follows:

Year ending August 31,	OPEB Income Amount
2022	\$ 5,445,105
2023	5,447,175
2024	5,448,358
2025	5,448,034
2026	4,175,324
Thereafter	<u>6,505,332</u>
Total	<u>\$ 32,469,328</u>

Federal government retiree drug subsidy - Medicare, Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were effective January 1, 2006. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2021, 2020, and 2019, the subsidy payments received by TRS-Care on behalf of the District were \$478,968, \$506,960, and \$375,291, respectively. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity.

Note 12. Compensated Absences

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

Note 13. Risk Management

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

Health care coverage

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

The health benefits plan is accounted for in the Internal Services Fund and is funded through employee and employer contributions. The District makes contributions to cover a portion of the employees' premiums and the employees are required to make contributions to cover their dependents. For the 2021 plan year, the District contributed \$404.25 per employee, per month. The contracts between the District and the insurer provide terms of coverage and contribution rates. The District obtains stop loss coverage through a third-party insurance company for claims in excess of \$150,000.

The Internal Services Fund charges the General Fund and other funds for the District's portion of premiums for employees whose salaries are charged to those funds. The liability includes actuarially estimated amounts with a 10.0% margin for incurred but not reported claims (IBNR) of \$596,227 in medical claims and \$54,091 in prescription drugs. The following is a reconciliation of changes in the aggregate liabilities for claims for the year ended August 31, 2021:

	2021	2020
Beginning of the year liability	\$ 613,089	\$ 612,102
Current year claims, including changes in estimates	10,687,136	10,126,377
Claims payments	<u>(10,649,907)</u>	<u>(10,125,390)</u>
End of the year liability	<u>\$ 650,318</u>	<u>\$ 613,089</u>

Workers' compensation

During the year ended August 31, 2021, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The fund provides statutory workers' compensation benefits to its members' injured employees.

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

Summary document. After the member’s deductible has been met, the Fund is responsible for additional claims liability.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund’s self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2020, the Fund carries a discounted reserve of \$44,135,645 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2021, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductible.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund’s Board of Trustees in February of the following year. The Fund’s audited financial statements as of August 31, 2020, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance.

For the 2020-2021 plan year, the excess coverage insurance policy covers any claim in excess of \$654,396. The Fund performs an evaluation of workers’ compensation claims submitted incidents occurring prior to August 31, 2021, and has projected open claims and incurred but not reported claims for all years will cost \$167,713. The District has not significantly reduced insurance coverage during the past three years or had settlements which exceeded coverage.

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

	<u>2021</u>	<u>2020</u>
Beginning of the year liability	\$ 189,831	\$ 265,241
Current year claims, including changes in estimates	145,058	84,419
Claims payments	<u>(167,176)</u>	<u>(159,829)</u>
End of the year liability	<u>\$ 167,713</u>	<u>\$ 189,831</u>

Auto liability, general liability, and legal liability

During the year ended August 31, 2021, the District participated in the following TASB Risk Management Fund programs:

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

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

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability, and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2021, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund’s Board of Trustees in February of the following year. The Fund’s audited financial statements as of August 31, 2020, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance.

Note 14. Shared service arrangements

McLennan County Challenge Academy – Juvenile Justice Alternative Education Program

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

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

<u>Member District</u>	<u>Percent of Students</u>	<u>Allocated Expenditures</u>
Axtell	0.19%	\$ 1,461
Bruceville-Eddy	0.31%	2,374
China Spring	0.35%	2,739
Connally	2.65%	20,474
La Vega	4.27%	33,052
Lorena	1.07%	8,314
McGregor	0.02%	183
Midway	3.54%	27,370
Moody	9.39%	72,613
Riesel	0.12%	913
Robinson	13.70%	105,943
Valley Mills	0.17%	1,279
Waco	62.95%	486,925
West	1.27%	9,861
Total	<u>100.00%</u>	<u>\$ 773,501</u>

Regional Day School for the Deaf

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

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

<u>Member District</u>	<u>Percent of Students</u>	<u>Allocated Expenditures 315</u>	<u>Allocated Expenditures 435</u>	<u>Allocated Expenditures 458</u>
Axtell	5.21%	472	8,803	43,473
Chilton	0.87%	79	1,470	7,259
Connally	3.47%	314	5,864	28,954
Lorena	2.61%	236	4,410	21,778
Marlin	2.61%	236	4,410	21,778
Mart	0.87%	79	1,470	7,259
Midway	14.87%	1,347	25,126	124,078
Riesel	3.47%	314	5,864	28,954
Robinson	1.74%	158	2,940	14,520
Rosebud-Lott	0.87%	79	1,470	7,259
Waco	59.93%	5,426	101,266	500,066
Waco Charter School	0.87%	79	1,470	7,259
West	1.74%	158	2,940	14,520
Westphalia	0.87%	79	1,470	7,259
Total	<u>100.00%</u>	<u>9,056</u>	<u>168,973</u>	<u>\$ 834,416</u>

Note 15. Litigation, commitments and contingencies

State and Federal Programs -- The District participates in a number of federal award programs. Although the programs have been audited in accordance with the provisions of U.S. Office of Management and Budget Uniform Guidance through August 31, 2021, these programs are still subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects any such amounts to be immaterial.

As of August 31, 2021, the District was party to construction contracts totaling \$22,022,600 with a remaining commitment of \$15,700,080 including retainage of \$441,174.

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

The District is involved in various claims, including several property insurance 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. The property insurance claims include the following:

- On April 19, 2020, the District suffered hail damage to a number of HVAC units throughout the District. The estimated loss is \$1,379,781, holdback on the claim is \$452,200 and the deductible is \$500,000. On April 22, 2021, the District received a preliminary payment of \$427,581. Due to supply chain issues resulting from the pandemic, repairs on the damaged units will be not be completed until the 2022 fiscal year.
- On February 16, 2021, the District experienced damages, primarily from flooding due to burst pipes, during a major winter storm. The estimated loss in property damage, contents, and mitigation is \$1,817,251, holdback on the claim is \$1,173,244, and the deductible is \$100,000. On May 7, 2021, the District received payments totaling \$544,007. Final repairs were completed subsequent to August 31, 2021.
- On July 27, 2021, fire destroyed the main building at G. W. Carver Middle School and caused smoke and water damage throughout many of the remaining buildings. Final estimates of damages have not yet been determined. The campus was scheduled to be rebuilt as part of the proposed bond election (see Note 16). In the interim, students have been relocated to Indian Spring Middle School. The portions of the building destroyed by the fire, as well as capitalized contents, have been removed from the District's capital assets. Insurance proceeds will be used, along with bond proceeds, to rebuild the campus.

Note 16. Subsequent events

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

On November 2, 2021, voters approved a \$355 million bond issue to rebuild four schools and renovate a fifth. The District plans to issue general obligation bonds in two or three installments with the first issue expected in February 2022. Prior to the election, the District's Board of Trustees approved reimbursing resolutions for initial project costs related to the rebuilds of Waco High School and G. W. Carver Middle School. At August 31, 2021, \$1,457,770 in design fees had been charged to the Capital Projects Fund resulting in a deficit position in the fund.

Required Supplementary Information

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Waco Independent School District

Exhibit G-1

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

General Fund

For the Year Ended August 31, 2021

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variances With Final Budget
		Original	Final		
Revenues					
5700	Local and intermediate sources	\$ 71,676,908	\$ 74,055,745	\$ 73,103,342	\$ (952,403)
5800	State program revenues	85,941,463	85,946,567	87,413,463	1,466,896
5900	Federal program revenues	2,913,951	2,913,951	4,469,013	1,555,062
5020	Total revenues	<u>160,532,322</u>	<u>162,916,263</u>	<u>164,985,818</u>	<u>2,069,555</u>
Expenditures					
Current:					
0011	Instruction	90,616,958	90,707,419	86,215,758	4,491,661
0012	Instructional resources and media services	1,128,819	1,220,235	919,653	300,582
0013	Curriculum and instructional staff development	5,179,532	4,982,598	4,083,940	898,658
0021	Instructional leadership	3,713,874	4,353,361	4,065,839	287,522
0023	School leadership	9,673,018	9,881,192	9,968,069	(86,877)
0031	Guidance, counseling, and evaluation services	4,929,803	5,017,328	4,990,633	26,695
0032	Social work services	734,783	941,125	809,269	131,856
0033	Health services	1,618,001	1,725,245	1,555,123	170,122
0034	Student transportation services	3,681,545	4,821,215	3,375,332	1,445,883
0035	Food Services	-	131,000	-	131,000
0036	Extracurricular activities	4,447,753	4,895,273	4,608,652	286,621
0041	General administration	6,101,158	6,201,342	5,684,608	516,734
0051	Plant maintenance and operations	16,450,136	22,236,579	18,127,818	4,108,761
0052	Security and monitoring services	2,343,952	2,800,447	2,482,856	317,591
0053	Data processing services	2,987,063	2,987,063	2,927,905	59,158
0061	Community services	698,334	718,682	646,517	72,165
Capital outlay:					
0081	Facilities acquisition and construction	-	13,368,290	5,145,251	8,223,039
Intergovernmental:					
0093	Payments to fiscal agent/member districts of shared services arrangements	378,000	378,000	330,000	48,000
0095	Payments to Juvenile Justice Alternative Education Program	770,000	770,000	295,918	474,082
0097	Payments to tax increment fund	8,805,140	8,805,140	7,049,304	1,755,836
0099	Other intergovernmental charges	834,400	834,400	704,473	129,927
6030	Total expenditures	<u>165,092,269</u>	<u>187,775,934</u>	<u>163,986,918</u>	<u>23,789,016</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(4,559,947)</u>	<u>(24,859,671)</u>	<u>998,900</u>	<u>25,858,571</u>
Other Financing Sources (Uses)					
7912	Sale of real and personal property	-	-	30,000	30,000
7915	Transfers in	-	-	64,079	64,079
8911	Transfers out	<u>(664,000)</u>	<u>(664,000)</u>	<u>(230,190)</u>	<u>433,810</u>
	Total other financing sources (uses)	<u>(664,000)</u>	<u>(664,000)</u>	<u>(136,111)</u>	<u>527,889</u>
1200	Net change in fund balance	(5,223,947)	(25,523,671)	862,789	26,386,460
0100	Fund balance, beginning	<u>50,037,203</u>	<u>52,680,447</u>	<u>52,680,447</u>	<u>-</u>
3000	Fund balance, ending	<u>\$ 44,813,256</u>	<u>\$ 27,156,776</u>	<u>\$ 53,543,236</u>	<u>\$ 26,386,460</u>

Waco Independent School District

Exhibit G-2

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
National School Breakfast and Lunch Fund
For the Year Ended August 31, 2021**

Data Control Codes		Budgeted Amounts		Actual	Variations
		Original	Final	Amounts (GAAP Basis)	With Final Budget
Revenues					
5700	Local and intermediate sources	\$ 272,207	\$ 276,399	\$ 224,966	\$ (51,433)
5800	State program revenues	52,000	52,000	50,317	(1,683)
5900	Federal program revenues	6,681,434	6,990,434	7,612,209	621,775
5020	Total revenues	<u>7,005,641</u>	<u>7,318,833</u>	<u>7,887,492</u>	<u>568,659</u>
Expenditures					
Current:					
0035	Food services	<u>8,171,868</u>	<u>9,429,997</u>	<u>6,847,186</u>	<u>2,582,811</u>
6030	Total expenditures	<u>8,171,868</u>	<u>9,429,997</u>	<u>6,847,186</u>	<u>2,582,811</u>
1100	Excess (Deficiency) of revenues over (under) expenditures	<u>(1,166,227)</u>	<u>(2,111,164)</u>	<u>1,040,306</u>	<u>3,151,470</u>
Other Financing Sources (Uses)					
7915	Transfers in	<u>-</u>	<u>-</u>	<u>565,252</u>	<u>565,252</u>
	Total other financing sources	<u>-</u>	<u>-</u>	<u>565,252</u>	<u>565,252</u>
1200	Net change in fund balance	<u>(1,166,227)</u>	<u>(2,111,164)</u>	<u>1,605,558</u>	<u>3,716,722</u>
0100	Fund balance, beginning	<u>2,445,387</u>	<u>3,092,933</u>	<u>3,092,933</u>	<u>-</u>
3000	Fund balance, ending	<u>\$ 1,279,160</u>	<u>\$ 981,769</u>	<u>\$ 4,698,491</u>	<u>\$ 3,716,722</u>

Waco Independent School District

Notes to the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual General Fund and National School Breakfast and Lunch Fund For the Year Ended August 31, 2021

Notes to the Budgetary Information

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

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

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

During fiscal year 2021, General Fund appropriations reflect a net increase of \$22.7 million while revenue reflects an increase of \$2.4 million. Throughout the year, budgeted appropriations were increased to include the following major appropriations: \$1.4 million for the re-appropriation of budgets for purchase orders from fiscal year 2020 that were honored in fiscal year 2021; \$0.8 million for bus purchases; \$1.2 million for maintenance and facilities projects committed during fiscal year 2020 but not completed as of August 31, 2020. Mid-year, \$12 million was amended in from fund balance to cover the cost of rebuilding Paul Tyson Stadium, upgrading the walk-in cooler-freezer for the child nutrition program, and installing an irrigation system at University High School. Another \$3.7 million was amended from fund balance to cover preliminary design fees for the Waco High School rebuild. The Board of Trustees adopted a resolution to reimburse the General Fund for these costs if the proposed bond election was successfully passed.

During fiscal year 2021, National School Breakfast and Lunch Fund appropriations were increased by \$1.3 million. Budgeted appropriations increased for the re-appropriation of budgets for renovations projects, equipment and vehicles purchases, which were not completed or received at August 31, 2020, as well as the equipment portion of the cooler-freezer project.

Expenditures in function 23, School Leadership, exceeded budgeted appropriations by \$86,877 due to overruns in salary costs. Expenditures in all other functions were within budgeted amounts.

Waco Independent School District

Exhibit G-3

Required Supplementary Information

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

Teacher Retirement System of Texas (TRS)

For the Years Ended August 31*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0934719%	0.0935623%	0.0918944%	0.0996227%	0.0982921%	0.1010318%	0.0531259%
District's proportionate share of the net pension liability	\$ 50,061,628	\$ 48,636,619	\$ 50,580,910	\$ 31,853,985	\$ 37,143,113	\$ 35,713,397	\$ 14,190,662
State's proportionate share of the net pension liability associated with the District	<u>70,992,607</u>	<u>67,003,759</u>	<u>76,045,664</u>	<u>44,581,627</u>	<u>51,722,852</u>	<u>45,090,294</u>	<u>42,706,018</u>
Total	<u>\$ 121,054,235</u>	<u>\$ 115,640,378</u>	<u>\$ 126,626,574</u>	<u>\$ 76,435,612</u>	<u>\$ 88,865,965</u>	<u>\$ 80,803,691</u>	<u>\$ 56,896,680</u>
District's covered payroll	\$ 105,792,769	\$ 98,033,516	\$ 96,935,706	\$ 96,218,234	\$ 91,012,010	\$ 83,034,215	\$ 78,027,228
District's proportionate share of the net pension liability as a percentage of its covered payroll	47.32%	49.61%	52.18%	33.11%	40.81%	43.01%	18.19%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

Waco Independent School District

Exhibit G-4

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 4,008,686	\$ 3,850,936	\$ 3,237,191	\$ 3,128,330	\$ 3,256,599	\$ 3,122,988	\$ 2,991,594
Contribution in relation to the contractually required contribution	4,008,686	3,850,936	3,237,191	3,128,330	3,256,599	3,122,988	2,991,594
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 107,476,297	\$ 105,792,769	\$ 98,033,516	\$ 96,935,706	\$ 96,218,234	\$ 91,012,010	\$ 83,034,215
Contributions as a percentage of covered payroll	3.73%	3.64%	3.30%	3.23%	3.38%	3.43%	3.60%

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

Waco Independent School District

Exhibit G-5

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net other post-employment benefits (OPEB) liability	0.1253432%	0.1231808%	0.1243990%	0.1332423%
District's proportionate share of the net OPEB liability	\$ 47,648,616	\$ 58,253,729	\$ 62,113,538	\$ 57,942,061
State's proportionate share of the net pension liability associated with the District	<u>64,028,318</u>	<u>77,406,176</u>	<u>80,233,292</u>	<u>70,108,100</u>
Total	<u>\$ 111,676,934</u>	<u>\$ 135,659,905</u>	<u>\$ 142,346,830</u>	<u>\$ 128,050,161</u>
District's covered payroll	\$ 105,792,769	\$ 98,033,516	\$ 96,935,706	\$ 96,218,234
District's proportionate share of the net pension liability as a percentage of its covered payroll	45.04%	59.42%	64.08%	60.22%
Plan fiduciary net position as a percentage of the total OPEB liability	4.99%	2.66%	1.57%	0.91%

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

Waco Independent School District

Exhibit G-6

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 959,412	\$ 951,363	\$ 867,726	\$ 829,665
Contribution in relation to the contractually required contribution	<u>959,412</u>	<u>951,363</u>	<u>867,726</u>	<u>829,665</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 107,476,297	\$ 105,792,769	\$ 98,033,516	\$ 96,935,706
Contributions as a percentage of covered payroll	0.89%	0.90%	0.89%	0.86%

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

Notes to the Schedules of District's Proportionate Share of the Net Pension Liability and Net Other Post-Employment Benefits (OPEB) Liability

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

Changes in actuarial assumptions and inputs

Measurement Date August 31,	Net Pension Liability		Net OPEB
	Discount Rate	Long-Term	Liability
		Expected Rate of Return	
2020	7.250%	7.250%	2.330%
2019	7.250%	7.250%	2.630%
2018	6.907%	7.250%	3.690%
2017	8.000%	8.000%	3.420%
2016	8.000%	8.000%	
2015	8.000%	8.000%	
2014	8.000%	8.000%	

Changes in demographic and economic assumptions

For Measurement Date August 31, 2018 – Net pension liability and net OPEB liability:

- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement and economic assumptions, including rates of salary increase for individual participants were updated based on the experience study performed for TRS for the period ending August 31, 2018.

Changes in benefit terms

For Measurement Date August 31, 2018 – Net OPEB Liability

- Changes of benefit terms were made effective September 1, 2017 by the 85th Texas Legislature.

Other Changes

For Measurement Date August 31, 2019 – Net Pension Liability

- With the enactment of SB3 by the 2019 Texas Legislature, an assumption was made about how the bill would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

For Measurement Date August 31, 2019 – Net OPEB Liability

- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%, and 25% of pre-65 retirees are assumed to discontinue their coverage at age 65.
- The trend rates were reset to better reflect the plan's anticipated experience.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%.

For Measurement Date August 31, 2018 – Net OPEB Liability

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018.
- The healthcare trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020.

Combining and Other Statements

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Non-major Governmental Funds

Special Revenue Funds

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

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

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

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

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

IDEA, Part B, Formula (Fund 224)

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

IDEA, Part B, Preschool (Fund 225)

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

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

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

Career and Technical, Basic Grant (Fund 244)

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

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

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

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

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

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

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

Elementary and Secondary School Emergency Relief (ESSER I) -- Corona Virus Aid, Relief, and Economic Security (CARES Act) (Fund 266)

This fund is used to account for federal stimulus Elementary and ESSER funds granted to local education agencies through the CARES Act to support their ability to operate and instruct students during the COVID-19 pandemic. This program is authorized under the Education Stabilization Fund.

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

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

Coronavirus Relief Fund (CRF) -- CARES Act (Fund 277)

This fund is used to account for federal stimulus CRF granted to local education agencies through the CARES Act for necessary expenditures incurred due to the public health emergency with respect to COVID-19 and to reimburse them for expenses related to COVID-19 that were incurred dating back to March 1, 2020 and December 30, 2020.

Elementary and Secondary School Emergency Relief Fund II (ESSER II) – Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act (Fund 281)

This fund is used to account for federal stimulus ESSER II funds granted to local education agencies through the CRRSA Act to support their ability to operate, instruct students, address learning loss, prepare schools for reopening, test, repair, and upgrade projects to improve air quality in school buildings during the coronavirus pandemic. This program is authorized under the Education Stabilization Fund.

Elementary and Secondary School Emergency Relief Fund III (ESSER III) – American Rescue Plan (ARP) Act of 2021 (Fund 282)

This fund is used to account for federal stimulus ESSER III funds granted to local education agencies through the ARP Act to address learning loss and the disproportionate impact of the coronavirus on certain student subgroups, identify and provide homeless children and youth with services in light of challenges of the coronavirus, and enable homeless children and youth to attend school and participate fully in school activities. This program is authorized under the Education Stabilization Fund.

Other Federally Funded Special Revenue Funds (Fund 289)

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

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

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

Advanced Placement Incentives (Fund 397)

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

State Instructional Materials (Fund 410)

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

Texas Workforce Commission -- Apprenticeship Training (Fund 427)

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

Other State Special Revenue Funds (Fund 429)

These are state funded special revenue funds not otherwise listed.

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

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

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

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

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

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

Campus Activity Funds (Fund 461)

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

Waco ISD Education Foundation Grants (Fund 487)

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

Baylor University Professional Development Grant (Fund 492)

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

Greater Waco Advanced Manufacturing Academies (Fund 497)

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

Other Locally Funded Special Revenue Funds (Fund 499)

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

Capital Projects Funds

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

Waco Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2021

Data Control Codes	206	211	224
	ESSA, Title X, Part C - Education of Homeless Children and Youth	ESSA, Title I, Part A - Improving Basic Programs	IDEA, Part B Formula
Assets			
1110 Cash and cash equivalents	\$ -	\$ -	\$ -
1240 Receivables from other governments	17,379	2,189,685	744,751
1260 Due from other funds	-	-	-
1290 Other receivables	-	3,639	-
Total assets	<u>\$ 17,379</u>	<u>\$ 2,193,324</u>	<u>\$ 744,751</u>
Liabilities			
2110 Accounts payable	\$ -	\$ 191,187	\$ 19,575
2160 Accrued wages payable	2,989	165,510	143,475
2170 Due to other funds	14,109	1,835,330	581,701
2180 Due to other governments	281	1,297	-
2300 Unearned revenues	-	-	-
Total liabilities	<u>17,379</u>	<u>2,193,324</u>	<u>744,751</u>
Fund Balances			
Committed fund balance:			
3545 Other committed fund balance	-	-	-
3600 Unassigned fund balance	-	-	-
3000 Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total liabilities and fund balances	<u>\$ 17,379</u>	<u>\$ 2,193,324</u>	<u>\$ 744,751</u>

225	242	244	255	263	265
IDEA, Part B Preschool	Summer Feeding Program - Texas Department of Agriculture	Career and Technical, Basic Grant	ESSA, Title II, Part A - Teacher and Principal Training and Recruiting	ESSA, Title III, Part A - English Language Acquisition and Enhancement	ESSA, Title IV, Part B - 21st Century Community Learning Centers
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
32,177	486,234	85,997	139,206	85,383	24,028
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 32,177</u>	<u>\$ 486,234</u>	<u>\$ 85,997</u>	<u>\$ 139,206</u>	<u>\$ 85,383</u>	<u>\$ 24,028</u>
\$ 2,750	\$ 148,459	\$ 21,904	\$ 2,217	\$ 12,937	\$ -
-	9,063	6,440	5,445	3,977	-
29,427	192,727	55,580	131,544	68,469	24,028
-	-	2,073	-	-	-
-	135,985	-	-	-	-
<u>32,177</u>	<u>486,234</u>	<u>85,997</u>	<u>139,206</u>	<u>85,383</u>	<u>24,028</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 32,177</u>	<u>\$ 486,234</u>	<u>\$ 85,997</u>	<u>\$ 139,206</u>	<u>\$ 85,383</u>	<u>\$ 24,028</u>

Waco Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2021

Data Control Codes	266	276	277
	ESSER I Corona Virus Aid, Relief, & Economic Security CARES Act	ESSA, Title I, School Improvement Program Academy Grant	Coronavirus Relief Fund CARES Act
Assets			
1110 Cash and cash equivalents	\$ -	\$ -	\$ -
1240 Receivables from other governments	246,529	59,118	-
1260 Due from other funds	-	-	-
1290 Other receivables	-	-	-
Total assets	<u>\$ 246,529</u>	<u>\$ 59,118</u>	<u>\$ -</u>
Liabilities			
2110 Accounts payable	\$ 2,577	\$ -	\$ -
2160 Accrued wages payable	-	-	-
2170 Due to other funds	243,952	59,118	-
2180 Due to other governments	-	-	-
2300 Unearned revenues	-	-	-
Total liabilities	<u>246,529</u>	<u>59,118</u>	<u>-</u>
Fund Balances			
Committed fund balance:			
3545 Other committed fund balance	-	-	-
3600 Unassigned fund balance	-	-	-
3000 Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total liabilities and fund balances	<u>\$ 246,529</u>	<u>\$ 59,118</u>	<u>\$ -</u>

281	282	289	315	397	410
ESSER II Coronavirus Response & Relief Supplemental Appropriations	ESSER III, American Rescue Plan Act of 2021	Other Federally Funded Special Revenue Funds	Shared Services Arrangements - IDEA, Part B, Discretionary	Advanced Placement Incentives	State Instructional Materials Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,051,890	1,710,245	364,379	11,064	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,051,890</u>	<u>\$ 1,710,245</u>	<u>\$ 364,379</u>	<u>\$ 11,064</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 350,654	\$ 8,125	\$ -	\$ -	\$ -
-	145,716	2,721	-	-	-
1,051,890	1,213,875	334,196	11,064	-	-
-	-	3,784	-	-	-
-	-	15,553	-	-	-
<u>1,051,890</u>	<u>1,710,245</u>	<u>364,379</u>	<u>11,064</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,051,890</u>	<u>\$ 1,710,245</u>	<u>\$ 364,379</u>	<u>\$ 11,064</u>	<u>\$ -</u>	<u>\$ -</u>

Waco Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2021

Data Control Codes	427 Texas Workforce Commission Apprenticeship Training	429 Other State Funded Special Revenue Funds	435 Shared Services Arrangements - Regional Day School for the Deaf
Assets			
1110	\$ -	\$ -	\$ -
1240	-	192,102	26,107
1260	24,646	-	-
1290	2,484	-	-
	<u>\$ 27,130</u>	<u>\$ 192,102</u>	<u>\$ 26,107</u>
Liabilities			
2110	\$ 262	\$ 46,198	\$ -
2160	-	-	8,986
2170	-	145,440	17,121
2180	165	-	-
2300	26,703	464	-
	<u>27,130</u>	<u>192,102</u>	<u>26,107</u>
Fund Balances			
Committed fund balance:			
3545	-	-	-
3600	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 27,130</u>	<u>\$ 192,102</u>	<u>\$ 26,107</u>

446	458	461	487	492	497
Shared Services Arrangements - McLennan County Challenge Academy	Shared Services Arrangements - Regional Day School for the Deaf Local Funds	Campus Activity Funds	Waco ISD Education Foundation Grants	Baylor University Professional Development Grant	Greater Waco Advanced Academies Fund
\$ -	\$ -	\$ 972,641	\$ -	\$ -	\$ -
60,967	3,628	-	-	-	-
72,239	38,189	-	-	-	165,507
-	-	380	11,292	6,224	-
<u>\$ 133,206</u>	<u>\$ 41,817</u>	<u>\$ 973,021</u>	<u>\$ 11,292</u>	<u>\$ 6,224</u>	<u>\$ 165,507</u>
\$ -	\$ 397	\$ 32,979	\$ 187	\$ 1,704	\$ 55,001
30,075	41,420	-	-	3,999	94,494
-	-	300,946	11,105	521	-
-	-	-	-	-	-
103,131	-	-	-	-	16,012
<u>133,206</u>	<u>41,817</u>	<u>333,925</u>	<u>11,292</u>	<u>6,224</u>	<u>165,507</u>
-	-	639,096	-	-	-
-	-	-	-	-	-
-	-	<u>639,096</u>	-	-	-
<u>\$ 133,206</u>	<u>\$ 41,817</u>	<u>\$ 973,021</u>	<u>\$ 11,292</u>	<u>\$ 6,224</u>	<u>\$ 165,507</u>

Waco Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2021

Data Control Codes		499	699	
		Other Locally Funded Special Revenue Funds	Total Nonmajor Special Revenue Funds	Capital Projects Funds
Assets				
1110	Cash and cash equivalents	\$ -	\$ 972,641	\$ -
1240	Receivables from other governments	-	7,530,869	-
1260	Due from other funds	143,568	444,149	-
1290	Other receivables	12,205	36,224	-
	Total assets	<u>\$ 155,773</u>	<u>\$ 8,983,883</u>	<u>\$ -</u>
Liabilities				
2110	Accounts payable	\$ 23,403	\$ 920,516	\$ -
2160	Accrued wages payable	2,537	666,847	-
2170	Due to other funds	-	6,322,143	1,457,770
2180	Due to other governments	-	7,600	-
2300	Unearned revenues	129,833	427,681	-
	Total liabilities	<u>155,773</u>	<u>8,344,787</u>	<u>1,457,770</u>
Fund Balances				
Committed fund balance:				
3545	Other committed fund balance	-	639,096	-
3600	Unassigned fund balance	-	-	(1,457,770)
3000	Total fund balances	<u>-</u>	<u>639,096</u>	<u>(1,457,770)</u>
4000	Total liabilities and fund balances	<u>\$ 155,773</u>	<u>\$ 8,983,883</u>	<u>\$ -</u>

Total Nonmajor Governmental Funds	
\$	972,641
	7,530,869
	444,149
	36,224
<hr/>	
\$	8,983,883
<hr/>	
\$	920,516
	666,847
	7,779,913
	7,600
	427,681
<hr/>	
	9,802,557
<hr/>	
	639,096
	(1,457,770)
<hr/>	
	(818,674)
<hr/>	
\$	8,983,883
<hr/>	

Waco Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended August 31, 2021

Data Control Codes	206	211	224
	ESSA, Title X, Part C - Education of Homeless Children and Youth	ESSA, Title I, Part A - Improving Basic Programs	IDEA, Part B Formula
Revenues			
5700 Local and intermediate sources	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-
5900 Federal program revenues	148,288	8,587,792	3,621,062
5020 Total revenues	<u>148,288</u>	<u>8,587,792</u>	<u>3,621,062</u>
Expenditures			
Current:			
0011 Instruction	10,855	3,875,294	1,804,580
0012 Instructional resources and media services	-	11,528	-
0013 Curriculum and instructional staff development	-	3,058,305	4,047
0021 Instructional leadership	18,970	360,297	76,409
0023 School leadership	-	209,159	-
0031 Guidance, counseling, and evaluation services services	-	2,530	1,735,747
0032 Social work services	56,172	186,716	-
0033 Health services	-	25,293	279
0035 Food services	-	-	-
0036 Extracurricular activities	-	42	-
0041 General administration	-	-	-
0051 Plant maintenance and operations	-	-	-
0052 Security and monitoring services	-	-	-
0053 Data processing services	-	59,654	-
0061 Community services	62,291	798,974	-
Capital Outlay:			
0081 Facilities acquisition, construction and improvements	-	-	-
Intergovernmental:			
0093 Payments to fiscal agent/member districts of shared services arrangements	-	-	-
6030 Total expenditures	<u>148,288</u>	<u>8,587,792</u>	<u>3,621,062</u>
1100 Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)			
7915 Transfers in	-	-	-
8911 Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net change in fund balances	-	-	-
0100 Fund balances, beginning	-	-	-
3000 Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

225	242	244	255	263	265
IDEA, Part B Preschool	Summer Feeding Program - Texas Department of Agriculture	Career and Technical, Basic Grant	ESSA, Title II, Part A - Teacher and Principal Training and Recruiting	ESSA, Title III, Part A - English Language Acquisition and Enhancement	ESSA, Title IV, Part B - 21st Century Community Learning Centers
\$ -	\$ 191	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
37,158	942,614	246,021	614,567	249,859	185,408
<u>37,158</u>	<u>942,805</u>	<u>246,021</u>	<u>614,567</u>	<u>249,859</u>	<u>185,408</u>
34,408	-	31,562	8,632	227,628	-
-	-	-	-	-	-
2,750	-	207,061	605,935	22,231	-
-	-	7,398	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	382,771	-	-	-	-
-	-	-	-	-	185,408
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>37,158</u>	<u>382,771</u>	<u>246,021</u>	<u>614,567</u>	<u>249,859</u>	<u>185,408</u>
-	560,034	-	-	-	-
-	-	-	-	-	-
-	(560,034)	-	-	-	-
-	(560,034)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Waco Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended August 31, 2021

Data Control Codes	266	276	277
	ESSER I Corona Virus Aid, Relief, & Economic Security CARES Act	ESSA, Title I, School Improvement Program Academy Grant	Coronavirus Relief Fund CARES Act
Revenues			
5700 Local and intermediate sources	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-
5900 Federal program revenues	1,976,363	353,483	591,300
5020 Total revenues	<u>1,976,363</u>	<u>353,483</u>	<u>591,300</u>
Expenditures			
Current:			
0011 Instruction	1,320,476	239,885	591,300
0012 Instructional resources and media services	-	2,835	-
0013 Curriculum and instructional staff development	18,517	57,248	-
0021 Instructional leadership	-	31,689	-
0023 School leadership	-	3,456	-
0031 Guidance, counseling, and evaluation services services	688	1,205	-
0032 Social work services	-	-	-
0033 Health services	28,152	-	-
0035 Food services	-	1,198	-
0036 Extracurricular activities	-	5,651	-
0041 General administration	-	-	-
0051 Plant maintenance and operations	-	853	-
0052 Security and monitoring services	-	-	-
0053 Data processing services	608,530	-	-
0061 Community services	-	9,463	-
Capital Outlay:			
0081 Facilities acquisition, construction and improvements	-	-	-
Intergovernmental:			
0093 Payments to fiscal agent/member districts of shared services arrangements	-	-	-
6030 Total expenditures	<u>1,976,363</u>	<u>353,483</u>	<u>591,300</u>
1100 Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)			
7915 Transfers in	-	-	-
8911 Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net change in fund balances	-	-	-
100 Fund balances, beginning	-	-	-
3000 Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

281	282	289	315	397	410
ESSER II Coronavirus Response & Relief Supplemental Appropriations	ESSER III, American Rescue Plan Act of 2021	Other Federally Funded Special Revenue Funds	Shared Services Arrangements - IDEA, Part B, Discretionary	Advanced Placement Incentives	State Instructional Materials Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,800	772,848
1,638,696	1,544,239	876,908	9,056	-	-
<u>1,638,696</u>	<u>1,544,239</u>	<u>876,908</u>	<u>9,056</u>	<u>1,800</u>	<u>772,848</u>
1,500,080	1,346,181	143,098	9,056	-	772,848
-	28,918	-	-	-	-
-	32,339	230,722	-	-	-
7,734	11,442	9,253	-	-	-
-	7,803	-	-	-	-
-	64,839	17,498	-	-	-
-	-	-	-	-	-
123,336	4,353	-	-	-	-
-	-	-	-	-	-
-	22,163	-	-	-	-
-	-	39,309	-	-	-
7,546	-	-	-	-	-
-	-	414,795	-	-	-
-	-	22,233	-	-	-
-	26,201	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,638,696</u>	<u>1,544,239</u>	<u>876,908</u>	<u>9,056</u>	<u>-</u>	<u>772,848</u>
-	-	-	-	1,800	-
-	-	-	-	-	-
-	-	-	-	(1,800)	-
-	-	-	-	(1,800)	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Waco Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended August 31, 2021

Data Control Codes	427	429	435
	Texas Workforce Commission Apprenticeship Training	Other State Funded Special Revenue Funds	Shared Services Arrangements - Regional Day School for the Deaf
Revenues			
5700 Local and intermediate sources	\$ 109,829	\$ -	\$ -
5800 State program revenues	6,621	297,765	168,973
5900 Federal program revenues	-	-	-
5020 Total revenues	<u>116,450</u>	<u>297,765</u>	<u>168,973</u>
Expenditures			
Current:			
0011 Instruction	-	62,743	168,973
0012 Instructional resources and media services	-	13	-
0013 Curriculum and instructional staff development	-	-	-
0021 Instructional leadership	-	-	-
0023 School leadership	-	-	-
0031 Guidance, counseling, and evaluation services services	-	-	-
0032 Social work services	-	-	-
0033 Health services	-	-	-
0035 Food services	-	-	-
0036 Extracurricular activities	-	6,731	-
0041 General administration	-	-	-
0051 Plant maintenance and operations	-	-	-
0052 Security and monitoring services	6,621	227,575	-
0053 Data processing services	-	-	-
0061 Community services	109,829	-	-
Capital Outlay:			
0081 Facilities acquisition, construction and improvements	-	-	-
Intergovernmental:			
0093 Payments to fiscal agent/member districts of shared services arrangements	-	-	-
6030 Total expenditures	<u>116,450</u>	<u>297,062</u>	<u>168,973</u>
1100 Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>703</u>	<u>-</u>
Other Financing Sources (Uses)			
7915 Transfers in	-	-	-
8911 Transfers out	-	(703)	-
Total other financing sources (uses)	<u>-</u>	<u>(703)</u>	<u>-</u>
1200 Net change in fund balances	-	-	-
100 Fund balances, beginning	-	-	-
3000 Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

446	458	461	487	492	497
Shared Services Arrangements - McLennan County Challenge Academy	Shared Services Arrangements - Regional Day School for the Deaf Local Funds	Campus Activity Funds	Waco ISD Education Foundation Grants	Baylor University Professional Development Grant	Greater Waco Advanced Academies Fund
\$ 709,157	\$ 560,560	\$ 178,340	\$ 60,689	\$ 82,708	\$ 2,670,588
64,344	43,072	-	-	-	118,962
-	-	-	-	-	18,367
<u>773,501</u>	<u>603,632</u>	<u>178,340</u>	<u>60,689</u>	<u>82,708</u>	<u>2,807,917</u>
501,229	823,649	24,778	60,689	-	2,026,781
-	-	14,318	-	-	-
-	10,767	311	-	82,708	14,469
-	-	-	-	-	384,242
192,559	-	23,839	-	-	-
73,789	-	-	-	-	232,855
-	-	240	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	147,840	-	-	-
-	-	-	-	-	-
5,924	-	-	-	-	184,539
-	-	-	-	-	5,389
-	-	-	-	-	-
-	-	498	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>773,501</u>	<u>834,416</u>	<u>211,824</u>	<u>60,689</u>	<u>82,708</u>	<u>2,848,275</u>
-	(230,784)	(33,484)	-	-	(40,358)
-	230,784	-	-	-	40,358
-	-	-	-	-	-
-	230,784	-	-	-	40,358
-	-	(33,484)	-	-	-
-	-	672,580	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 639,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Waco Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended August 31, 2021

Data Control Codes		499	699	
		Other Locally Funded Special Revenue Funds	Total Nonmajor Special Revenue Funds	Capital Projects Funds
Revenues				
5700	Local and intermediate sources	\$ 241,483	\$ 4,613,545	\$ -
5800	State program revenues	-	1,474,385	-
5900	Federal program revenues	-	21,641,181	-
5020	Total revenues	<u>241,483</u>	<u>27,729,111</u>	<u>-</u>
Expenditures				
Current:				
0011	Instruction	109,987	15,694,712	-
0012	Instructional resources and media services	-	57,612	-
0013	Curriculum and instructional staff development	6,020	4,353,430	-
0021	Instructional leadership	-	907,434	-
0023	School leadership	1,250	438,066	-
0031	Guidance, counseling, and evaluation services services	-	2,129,151	-
0032	Social work services	-	243,128	-
0033	Health services	-	181,413	-
0035	Food services	-	383,969	-
0036	Extracurricular activities	-	367,835	-
0041	General administration	-	39,309	-
0051	Plant maintenance and operations	-	198,862	-
0052	Security and monitoring services	-	654,380	-
0053	Data processing services	-	690,417	-
0061	Community services	16,480	1,023,736	-
Capital Outlay:				
0081	Facilities acquisition, construction and improvements	-	-	1,457,770
Intergovernmental:				
0093	Payments to fiscal agent/member districts of shared services arrangements	-	-	-
6030	Total expenditures	<u>133,737</u>	<u>27,363,454</u>	<u>1,457,770</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>107,746</u>	<u>365,657</u>	<u>(1,457,770)</u>
Other Financing Sources (Uses)				
7915	Transfers in	-	271,142	-
8911	Transfers out	(107,746)	(670,283)	(1,566)
	Total other financing sources (uses)	<u>(107,746)</u>	<u>(399,141)</u>	<u>(1,566)</u>
1200	Net change in fund balances	-	(33,484)	(1,459,336)
100	Fund balances, beginning	-	672,580	1,566
3000	Fund balances, ending	<u>\$ -</u>	<u>\$ 639,096</u>	<u>\$ (1,457,770)</u>

Total Nonmajor Governmental Funds	
\$	4,613,545
	1,474,385
	<u>21,641,181</u>
	<u>27,729,111</u>
	15,694,712
	57,612
	4,353,430
	907,434
	438,066
	2,129,151
	243,128
	181,413
	383,969
	367,835
	39,309
	198,862
	654,380
	690,417
	1,023,736
	1,457,770
	-
	<u>28,821,224</u>
	<u>(1,092,113)</u>
	271,142
	<u>(671,849)</u>
	<u>(400,707)</u>
	(1,492,820)
	674,146
\$	<u><u>(818,674)</u></u>

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Texas Education Agency Required Schedules

Waco Independent School District
Schedule of Delinquent Taxes Receivable
For the Year Ended August 31, 2021

Last Ten Years Ended August 31,	1		2	3
	Tax Rates			Assessed Appraised Value For School Tax Purposes
	Maintenance & Operations	Debt Service		
2012 and prior years	Various	Various		Various
2013	\$ 1.04000	\$ 0.31518	\$	4,040,822,252
2014	1.04000	0.31480		4,096,674,417
2015	1.04000	0.31324		4,212,595,871
2016	1.17000	0.23000		4,600,827,921
2017	1.17000	0.23000		5,053,462,320
2018	1.17000	0.24000		5,220,581,465
2019	1.17000	0.23408		5,822,476,266
2020	1.06835	0.23410		6,271,959,413
2021 (school year under audit)	1.03980	0.22415		6,383,598,838
100 Totals				

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

10	20	31	32	40	50
Balance September 1, 2020	Current Year's Total Levy	Total Collections		Entire Year's Adjustments	Balance August 31, 2021
		Maintenance & Operations	Debt Service		
\$ 713,705	\$ -	\$ 23,977	\$ 5,258	\$ (98,347)	\$ 586,123
124,489	-	5,270	1,597	(539)	117,083
139,766	-	11,522	3,488	(577)	124,179
155,861	-	13,627	4,104	(1,493)	136,637
158,672	-	16,230	3,191	(1,580)	137,671
191,665	-	79	15	(36,034)	155,537
280,000	-	2,567	527	(57,071)	219,835
534,834	-	59,449	11,894	(154,498)	308,993
1,476,417	-	844,164	184,976	57,595	504,872
-	85,773,181	69,446,173	14,970,731	568,746	1,925,023
<u>\$ 3,775,409</u>	<u>\$ 85,773,181</u>	<u>\$ 70,423,058</u>	<u>\$ 15,185,781</u>	<u>\$ 276,202</u>	<u>\$ 4,215,953</u>
		<u>\$ 5,347,455</u>	<u>\$ 1,158,034</u>		

Waco Independent School District

Exhibit J-2

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

Debt Service Fund

For the Year Ended August 31, 2021

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP Basis)	Variances With Final Budget
		Original	Final		
Revenues					
5700	Local and intermediate sources	\$ 15,428,669	\$ 15,428,669	\$ 15,357,123	\$ (71,546)
5800	State program revenues	-	-	322,904	322,904
5020	Total revenues	<u>15,428,669</u>	<u>15,428,669</u>	<u>15,680,027</u>	<u>251,358</u>
Expenditures					
Debt service:					
0071	Principal on long-term debt	7,420,000	8,410,000	8,409,998	2
0072	Interest on long-term debt	6,231,000	5,236,914	5,236,914	-
0073	Bond issuance cost and fees	15,000	1,055,919	1,038,026	17,893
Intergovernmental:					
0097	Payments to tax increment fund	<u>1,472,979</u>	<u>1,472,979</u>	<u>1,158,034</u>	<u>314,945</u>
6030	Total expenditures	<u>15,138,979</u>	<u>16,175,812</u>	<u>15,842,972</u>	<u>332,840</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>289,690</u>	<u>(747,143)</u>	<u>(162,945)</u>	<u>584,198</u>
Other Financing Sources (Uses)					
7901	Refunding bonds issued	-	106,740,000	106,740,000	-
7915	Transfers in	-	-	1,566	1,566
7916	Premium on refunding bonds issued	-	17,420,123	17,420,122	(1)
8940	Payment to refunded bond escrow agent	-	<u>(123,123,290)</u>	<u>(123,123,290)</u>	-
7080	Total other financing sources (uses)	<u>-</u>	<u>1,036,833</u>	<u>1,038,398</u>	<u>1,565</u>
1200	Net change in fund balance	289,690	289,690	875,453	585,763
0100	Fund balance, beginning	<u>3,974,721</u>	<u>3,990,782</u>	<u>3,990,782</u>	-
3000	Fund balance, ending	<u>\$ 4,264,411</u>	<u>\$ 4,280,472</u>	<u>\$ 4,866,235</u>	<u>\$ 585,763</u>

**Statistical Section
(Unaudited)**

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Statistical Section (Unaudited)

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

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

Page

Financial Trends

116

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

Revenue Capacity

128

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

Debt Capacity

136

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

Demographic and Economic Information

142

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

Operating Information

148

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018²</u>
Governmental activities				
Net investment in capital assets	\$ 48,860,389	\$ 32,029,477	\$ 29,669,042	\$ 29,990,868
Restricted for federal and state programs	4,698,491	3,092,933	3,822,443	2,806,177
Restricted for debt service	-	3,774,583	4,037,123	3,154,115
Unrestricted	<u>(64,614,504)</u>	<u>(57,017,617)</u>	<u>(55,052,397)</u>	<u>(57,388,891)</u>
Total governmental activities net assets	<u>(11,055,624)</u>	<u>(18,120,624)</u>	<u>(17,523,789)</u>	<u>(21,437,731)</u>
Primary government				
Net investment in capital assets	48,860,389	32,029,477	\$ 29,669,042	29,990,868
Restricted for federal and state programs	6,450,277	3,092,933	3,822,443	2,806,177
Restricted for debt service	-	3,774,583	4,037,123	3,154,115
Unrestricted	<u>(66,366,290)</u>	<u>(57,017,617)</u>	<u>(55,052,397)</u>	<u>(57,388,891)</u>
Total primary government activities net position	<u>\$ (11,055,624)</u>	<u>\$ (18,120,624)</u>	<u>\$ (17,523,789)</u>	<u>\$ (21,437,731)</u>

Source: District Financial Statements

¹ The District adopted Governmental Accounting Standards Board Statement No. 68 for the year ended August 31, 2015, recognizing the District's proportionate share of net pension liability for the Texas Teachers' Retirement System. Prior periods have not been restated.

² The District adopted Governmental Accounting Standards Board Statement No. 75 for the year ended August 31, 2018, recognizing the District's proportionate share of the TRS-Care net OPEB liability. As a result of significant changes in the plan, the District recorded negative on behalf revenues and expenses in the amount of \$29.5 million within the operating grants and contributions and \$43.7 million in functional expense categories. Prior periods have not been restated.

Table 1

<u>2017</u>	<u>2016</u>	<u>2015¹</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 28,540,181	\$ 26,434,432	\$ 28,878,748	\$ 28,036,887	\$ 29,784,107	\$ 23,918,311
2,251,264	1,728,453	1,419,771	1,407,414	1,332,481	1,310,706
1,906,582	1,840,786	-	1,530,743	1,594,131	1,554,680
<u>26,606,549</u>	<u>30,355,750</u>	<u>30,160,328</u>	<u>43,679,196</u>	<u>35,467,122</u>	<u>37,928,555</u>
<u>59,304,576</u>	<u>60,359,421</u>	<u>60,458,847</u>	<u>74,654,240</u>	<u>68,177,841</u>	<u>64,712,252</u>
28,540,181	26,434,432	28,878,748	28,036,887	29,784,107	23,918,311
2,251,264	1,728,453	1,419,771	1,407,414	1,332,481	1,310,706
1,906,582	1,840,786	-	1,530,743	1,594,131	1,554,680
<u>26,606,549</u>	<u>30,355,750</u>	<u>30,160,328</u>	<u>43,679,196</u>	<u>35,467,122</u>	<u>37,928,555</u>
<u>\$ 59,304,576</u>	<u>\$ 60,359,421</u>	<u>\$ 60,458,847</u>	<u>\$ 74,654,240</u>	<u>\$ 68,177,841</u>	<u>\$ 64,712,252</u>

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

	2021	2020	2019	2018 ²
Expenses - governmental activities:				
Instruction	\$108,588,615	\$ 105,111,083	\$ 97,204,175	\$ 63,778,397
Instructional resource and media services	1,192,490	1,230,515	1,145,653	951,999
Curriculum and instructional staff development	9,121,131	10,385,500	8,191,863	4,118,181
Instructional leadership	5,332,555	5,641,079	5,279,944	2,420,981
School leadership	10,695,652	11,178,027	10,762,453	6,657,882
Guidance, counseling, and evaluation services	7,496,360	6,903,962	5,935,365	3,202,513
Social work services	1,100,337	1,183,436	1,176,663	700,617
Health services	1,805,296	1,532,816	1,289,858	825,391
Student transportation	3,200,450	3,155,808	3,164,818	3,177,773
Food services	8,374,591	11,404,285	11,095,518	8,678,763
Extracurricular activities	5,788,669	6,059,245	5,693,948	4,374,793
General administration	5,920,000	5,671,606	4,935,156	3,738,000
Plant maintenance and operations	18,505,551	17,657,184	15,921,753	15,301,105
Security and monitoring services	3,027,839	2,316,628	2,550,677	1,875,149
Data processing services	3,507,680	4,561,909	4,025,862	2,548,797
Community services	1,794,330	1,669,506	1,883,438	1,037,951
Interest on long-term debt	5,157,532	6,297,691	6,525,159	6,709,165
Bond issuance cost and fees	1,038,026	15,812	5,650	6,700
Facilities acquisition, improvements and construction	15,522	-	116,177	1,145
Payments to fiscal agents/member districts of shared services arrangements	330,000	423,945	749,055	556,613
Payments related to Juvenile Justice Alternative Education Program	295,918	646,950	514,035	456,901
Payments to tax increment zones	8,207,338	8,000,245	7,850,239	6,968,873
Other intergovernmental charges	704,473	755,302	839,620	832,723
Total governmental activities expenses	211,200,355	211,802,534	196,857,079	138,920,412
Program revenues - governmental activities:				
Charges for services:				
Instruction	2,929,340	2,863,604	2,942,550	2,616,206
Food services	225,868	350,362	568,314	632,980
Extracurricular activities	390,690	508,589	813,046	1,054,949
General administration	102,989	86,763	190,180	216,287
Plant maintenance and operations	441,653	320,540	365,233	389,512
Community services	-	103,496	164,712	146,170
Other activities	1,001,176	1,018,627	792,380	651,011
Operating grants and contributions	44,556,955	45,063,392	43,276,111	9,980,612
Total governmental activities program revenues	49,648,671	50,315,373	49,112,526	15,687,727
Net (expense)/revenue - governmental activities	(161,551,684)	(161,487,161)	(147,744,553)	(123,232,685)

Table 2

2017	2016	2015 ¹	2014	2013	2012
\$ 92,410,667	\$ 88,611,062	\$ 77,681,640	\$ 69,789,327	\$ 70,548,505	\$ 69,553,287
1,121,495	1,196,338	1,124,801	1,135,530	1,040,805	1,171,223
8,340,412	7,509,106	6,947,353	6,173,202	6,884,856	7,162,676
4,335,621	4,392,247	3,677,116	3,318,806	2,693,158	2,715,340
9,845,156	9,978,219	9,115,358	8,738,412	8,310,370	8,442,081
5,574,333	5,144,364	4,648,929	4,219,053	4,169,755	3,950,581
941,636	1,417,893	1,031,823	902,610	362,398	620,481
1,177,356	1,216,958	1,102,805	1,033,294	948,578	1,101,021
2,956,595	2,860,485	2,693,602	3,138,533	3,080,299	2,985,457
10,769,354	10,492,347	10,019,785	10,146,039	10,231,923	9,809,566
5,449,388	5,051,637	4,653,098	4,324,813	4,544,834	3,873,666
5,232,469	4,984,938	4,179,447	4,409,243	3,840,553	3,544,327
18,573,874	18,452,585	17,352,111	14,670,240	14,898,553	14,953,331
2,095,530	2,222,486	2,070,750	1,790,388	1,920,229	1,578,323
2,981,430	3,045,119	3,411,040	2,692,333	2,358,120	3,047,696
1,306,982	1,152,542	1,215,064	2,187,539	1,653,751	1,687,808
6,927,718	6,474,116	7,503,739	9,251,908	9,589,096	10,526,975
6,700	514,954	1,075,983	5,050	158,974	7,050
-	-	160,135	1,996,941	2,205,186	2,578,887
522,174	520,899	409,664	242,077	156,879	186,303
558,366	410,518	360,740	422,845	556,650	491,733
5,616,835	4,214,674	3,534,625	3,061,499	3,393,153	2,839,129
711,202	701,349	727,905	616,522	597,698	583,310
187,455,293	180,564,836	164,697,513	154,266,204	154,144,323	153,410,251
2,245,294	1,719,516	1,448,081	1,016,740	1,014,343	750,855
734,826	688,102	698,505	692,221	748,295	802,859
960,344	992,762	878,815	993,237	794,470	447,352
388,975	366,705	243,895	368,157	107,856	107,162
139,676	110,757	112,199	111,084	130,337	-
1,232,811	788,737	745,053	490,417	580,462	459,640
40,212,598	41,546,587	40,689,915	35,356,370	36,972,531	40,923,694
45,914,524	46,213,166	44,816,463	39,028,226	40,348,294	43,491,562
(141,540,769)	(134,351,670)	(119,881,050)	(115,237,978)	(113,796,029)	(109,918,689)

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

	2021	2020	2019	2018 ³
General revenues - governmental activities:				
Property taxes, levied for general purposes	70,822,072	67,873,571	69,781,667	64,060,469
Property taxes, levied for debt service	15,269,209	14,883,194	13,941,068	13,139,700
Grants and contributions not restricted	80,387,751	76,390,346	65,405,082	64,950,166
Unrestricted investment earnings	173,600	995,027	1,633,709	1,072,854
Miscellaneous	1,964,052	911,362	883,453	828,848
Gain (loss) on disposals of capital assets	-	(163,174)	13,516	33,013
Transfers in/out	-	-	-	-
Special Item	-	-	-	-
Total general revenues, transfers, and special item	<u>168,616,684</u>	<u>160,890,326</u>	<u>151,658,495</u>	<u>144,085,050</u>
Change in net position - governmental activities	<u>\$ 7,065,000</u>	<u>\$ (596,835)</u>	<u>\$ 3,913,942</u>	<u>\$ 20,852,365</u>

Source: District Financial Statements

¹ The District adopted Governmental Accounting Standards Board Statement No. 68 for the year ended August 31, 2015, recognizing the District's proportionate share of net pension liability for the Texas Teachers' Retirement System. Prior periods have not been restated.

² The District adopted Governmental Accounting Standards Board Statement No. 75 for the year ended August 31, 2018, recognizing the District's proportionate share of the TRS-Care net OPEB liability. As a result of significant changes in the plan, the District recorded negative on behalf revenues and expenses in the amount of \$29.5 million within the operating grants and contributions and \$43.7 million in functional expense categories. Prior periods have not been restated.

Table 2
(concluded)

2017	2016	2015 ²	2014	2013	2012
58,783,113	52,444,091	45,214,877	42,790,674	41,675,687	39,895,625
11,592,463	10,329,819	13,589,549	12,928,067	12,568,812	12,349,724
68,772,790	70,471,901	65,525,694	62,882,914	61,632,137	61,305,521
524,447	244,394	88,831	119,105	150,235	196,319
768,018	708,154	818,949	702,540	873,017	651,999
45,093	53,885	(1,054,382)	2,291,077	612,687	630,002
-	-	15,000	-	-	(376,598)
-	-	-	-	-	(777,262)
<u>140,485,924</u>	<u>134,252,244</u>	<u>124,198,518</u>	<u>121,714,377</u>	<u>117,512,575</u>	<u>113,875,330</u>
<u>\$ (1,054,845)</u>	<u>\$ (99,426)</u>	<u>\$ 4,317,468</u>	<u>\$ 6,476,399</u>	<u>\$ 3,716,546</u>	<u>\$ 3,956,641</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General fund				
Nonspendable	\$ 394,866	\$ 1,179,204	\$ 412,344	\$ 680,007
Committed	15,712,366	3,369,656	3,002,885	1,273,469
Assigned	-	-	-	299,723
Restricted	1,751,786	2,123,100	1,110,137	-
Unassigned	<u>35,684,217</u>	<u>46,008,487</u>	<u>44,712,941</u>	<u>41,768,477</u>
Total general fund	<u>\$ 53,543,235</u>	<u>\$ 52,680,447</u>	<u>\$ 49,238,307</u>	<u>\$ 44,021,676</u>
All other governmental funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Capital projects	-	1,566	-	443,939
Federal and state programs	4,698,491	3,092,933	3,822,443	2,806,177
Debt service	4,866,235	3,990,782	4,057,107	3,911,753
Assigned	-	-	-	-
Committed	639,096	672,580	642,837	639,941
Unassigned	<u>(1,457,770)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 8,746,052</u>	<u>\$ 7,757,861</u>	<u>\$ 8,522,387</u>	<u>\$ 7,801,810</u>

Source: District Financial Statements

Table 3

2017	2016	2015	2014	2013	2012
\$ 684,300	\$ 196,803	\$ 239,129	\$ 214,094	\$ 221,831	\$ 339,670
3,487,432	5,448,732	4,878,618	2,812,330	1,668,158	3,755,906
1,485,130	1,235,550	1,118,207	668,770	1,355,548	1,039,848
-	-	-	-	-	-
39,165,626	39,036,156	36,747,458	36,742,623	29,668,401	29,770,570
<u>\$ 44,822,488</u>	<u>\$ 45,917,241</u>	<u>\$ 42,983,412</u>	<u>\$ 40,437,817</u>	<u>\$ 32,913,938</u>	<u>\$ 34,905,994</u>
\$ -	\$ -	\$ 142,981	\$ 151,073	\$ 150,453	\$ 178,641
845,439	1,243,250	2,025,445	2,732,183	3,296,127	7,799,994
2,251,264	1,728,453	1,419,771	1,256,341	1,332,481	1,310,706
4,653,605	4,646,144	4,627,553	3,626,685	3,476,956	3,119,528
-	-	-	-	-	-
548,488	456,582	491,049	476,297	417,218	-
-	-	-	-	-	-
<u>\$ 8,298,796</u>	<u>\$ 8,074,429</u>	<u>\$ 8,706,799</u>	<u>\$ 8,242,579</u>	<u>\$ 8,673,235</u>	<u>\$ 12,408,869</u>

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

	2021	2020	2019	2018
Revenues				
Local and intermediate sources	\$ 93,298,976	\$ 90,577,649	\$ 93,228,446	\$ 85,458,408
State program revenues	89,261,069	86,549,457	74,159,070	72,918,940
Federal program revenues	33,722,403	28,739,737	29,090,242	27,467,542
Total revenues	<u>216,282,448</u>	<u>205,866,843</u>	<u>196,477,758</u>	<u>185,844,890</u>
Expenditures				
Current:				
Instruction	\$ 101,910,470	\$ 94,728,241	\$ 88,589,322	\$ 85,894,552
Instructional resources and media services	977,265	1,026,404	953,943	943,618
Curriculum and instructional staff development	8,437,370	8,930,368	7,342,447	7,287,411
Instructional leadership	4,973,273	4,992,117	4,674,887	4,171,826
School leadership	10,406,135	10,432,418	10,226,382	9,769,100
Guidance, counseling, and evaluation services	7,119,784	6,260,709	5,562,522	5,131,429
Social work services	1,052,397	1,055,654	1,096,478	1,089,475
Health services	1,736,536	1,443,506	1,223,843	1,160,302
Student transportation services	3,375,332	2,648,110	3,344,683	4,703,866
Food services	7,231,155	10,497,220	10,422,650	10,005,654
Extracurricular activities	4,976,487	5,425,492	4,793,853	5,224,859
General administration	5,723,917	5,296,603	4,642,301	4,781,082
Plant maintenance and operations	18,326,680	17,421,238	15,715,345	17,002,432
Security and monitoring services	3,137,236	2,430,928	2,539,398	2,088,241
Data processing services	3,618,322	4,580,566	3,626,750	2,720,092
Community services	1,670,253	1,437,078	1,666,088	1,437,425
Debt service:				
Principal	8,410,000	7,335,001	7,025,000	4,975,000
Interest	5,236,916	7,343,668	6,819,243	8,945,604
Bond issuance cost and fees	1,038,022	15,811	5,650	6,700
Capital outlay:				
Facilities acquisition and construction	6,603,021	103,970	316,816	1,035,883
Intergovernmental:				
Payments to fiscal agent/member districts SSA	330,000	423,945	749,055	556,613
Payments to Juvenile Justice Alternative Education Program	295,918	646,950	514,035	456,901
Payments to tax increment zone	8,207,338	8,000,245	7,850,239	6,968,874
Other intergovernmental charges	704,473	755,302	839,620	832,723
Total expenditures	<u>215,498,300</u>	<u>203,231,544</u>	<u>190,540,550</u>	<u>187,189,662</u>
Excess (deficiency) of revenues over (under) expenditures	<u>784,148</u>	<u>2,635,299</u>	<u>5,937,208</u>	<u>(1,344,772)</u>
Other Financing Sources (Uses)				
Refunding bonds issued	106,740,000	-	-	-
Sale of real and personal property	30,000	42,315	-	46,974
Transfers in	902,039	655,868	675,612	800,696
Premium on bonds issued	17,420,122	-	-	-
Other sources	-	-	-	-
Transfers out	(902,039)	(655,868)	(675,612)	(800,696)
Payment to refunded bond escrow agent	(123,123,290)	-	-	-
Other uses	-	-	-	-
Total other financing sources (uses)	<u>1,066,832</u>	<u>42,315</u>	<u>-</u>	<u>46,974</u>
Net change in fund balances	<u>\$ 1,850,980</u>	<u>\$ 2,677,614</u>	<u>\$ 5,937,208</u>	<u>\$ (1,297,798)</u>
Debt service as a percentage of noncapital expenditures	7.0%	7.2%	7.3%	7.5%

Source: District Financial Statements

Table 4

2017	2016	2015	2014	2013	2012
\$ 77,344,586	\$ 69,684,244	\$ 64,420,380	\$ 59,895,256	\$ 59,882,644	\$ 56,258,857
78,642,333	80,156,138	74,881,477	72,005,696	71,339,699	72,753,009
28,926,389	29,186,936	30,879,002	25,785,150	26,293,477	28,920,452
<u>184,913,308</u>	<u>179,027,318</u>	<u>170,180,859</u>	<u>157,686,102</u>	<u>157,515,820</u>	<u>157,932,318</u>
\$ 86,373,466	\$ 80,287,130	\$ 73,544,308	\$ 65,773,712	\$ 66,734,401	\$ 66,342,246
930,660	918,932	871,303	956,203	875,023	1,029,528
7,679,307	7,220,416	7,090,487	6,158,827	6,881,577	7,171,052
3,972,383	4,134,042	3,644,096	3,215,002	2,585,326	2,611,125
9,521,555	9,454,571	9,090,220	8,649,180	8,231,601	8,372,833
5,252,786	4,900,067	4,710,930	4,192,971	4,146,376	3,933,278
911,831	1,368,352	1,055,551	902,275	362,398	622,450
1,135,012	1,132,468	1,081,972	1,008,098	926,641	1,079,048
3,201,247	2,788,283	2,054,638	2,938,064	2,819,384	2,608,287
9,935,592	9,995,417	9,694,328	9,768,020	10,229,538	9,553,206
5,116,060	4,411,489	4,037,392	4,402,364	3,930,221	3,313,797
5,019,628	4,693,069	4,058,668	4,336,176	3,710,319	3,422,487
18,574,278	18,051,929	17,544,931	14,623,438	14,722,369	14,883,979
2,052,257	2,096,265	2,064,819	1,785,731	1,903,102	1,542,511
2,687,285	3,083,693	3,194,738	2,519,842	2,587,351	3,084,948
1,217,550	1,103,584	1,205,695	1,056,774	1,601,757	1,637,012
6,695,000	7,440,001	8,305,002	6,610,000	7,055,000	5,734,917
7,204,145	7,472,809	7,427,240	9,160,240	9,242,115	10,631,175
6,700	514,954	1,075,983	5,050	158,974	7,050
937,327	380,248	1,812,997	2,286,048	11,767,501	21,620,447
522,174	520,899	409,664	242,077	156,879	186,303
558,366	410,518	360,740	422,845	556,650	491,733
5,616,835	4,214,674	3,534,625	3,061,499	3,393,153	2,839,129
711,202	701,349	727,905	616,522	597,698	583,310
<u>185,832,646</u>	<u>177,295,159</u>	<u>168,598,232</u>	<u>154,690,958</u>	<u>165,175,354</u>	<u>173,301,851</u>
<u>(919,338)</u>	<u>1,732,159</u>	<u>1,582,627</u>	<u>2,995,144</u>	<u>(7,659,534)</u>	<u>(15,369,533)</u>
-	47,120,000	106,455,000	-	9,635,000	-
48,952	61,135	331,914	4,098,079	1,307,872	1,418,974
1,543,542	1,928,616	86,845	110,859	8,946	-
-	11,068,981	12,852,104	-	856,820	-
-	-	-	-	32,868	-
(1,543,542)	(1,928,616)	(71,845)	(110,859)	(8,946)	(376,598)
-	(57,680,816)	(118,226,829)	-	(10,326,616)	-
-	-	-	-	-	(250,000)
<u>48,952</u>	<u>569,300</u>	<u>1,427,189</u>	<u>4,098,079</u>	<u>1,505,944</u>	<u>792,376</u>
<u>\$ (870,386)</u>	<u>\$ 2,301,459</u>	<u>\$ 3,009,816</u>	<u>\$ 7,093,223</u>	<u>\$ (6,153,590)</u>	<u>\$ (14,577,157)</u>
7.5%	8.7%	10.1%	10.4%	10.7%	10.8%

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Local sources:				
Property tax	\$ 85,608,839	\$ 82,983,635	\$ 84,180,419	\$ 77,206,627
Other	7,690,137	7,594,014	9,048,027	8,251,781
State sources	89,261,069	86,549,457	74,159,070	72,918,940
Federal sources	<u>33,722,403</u>	<u>28,739,737</u>	<u>29,090,242</u>	<u>27,467,542</u>
	<u>\$216,282,448</u>	<u>\$205,866,843</u>	<u>\$196,477,758</u>	<u>\$185,844,890</u>

Source: District financial records

Table 5

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 69,736,942	\$ 63,526,571	\$ 58,960,839	\$ 54,953,317	\$ 54,512,088	\$ 52,371,711
7,607,644	6,157,673	5,459,541	4,941,939	5,370,556	3,887,146
78,642,333	80,156,138	74,881,477	72,005,696	71,339,699	72,753,009
<u>28,926,389</u>	<u>29,186,936</u>	<u>30,879,002</u>	<u>25,785,150</u>	<u>26,293,477</u>	<u>28,920,452</u>
<u><u>\$184,913,308</u></u>	<u><u>\$179,027,318</u></u>	<u><u>\$170,180,859</u></u>	<u><u>\$157,686,102</u></u>	<u><u>\$157,515,820</u></u>	<u><u>\$157,932,318</u></u>

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

Fiscal Year Ended August 31	Actual/Market Value					
	Residential Property	Vacant Platted Land Tracts	Qualified Open-space Land & Improvements	Commercial, Industrial & Manufacturing	Utilities, Railroads, Pipelines, & Cable	Personal Property
2021	\$ 4,504,359,823	\$ 169,497,345	\$ 50,999,638	\$ 2,136,866,923	\$172,917,778	\$ 785,588,400
2020	4,179,199,031	156,206,452	49,223,644	1,894,082,174	165,747,052	827,902,260
2019	3,893,676,470	149,909,142	47,818,618	1,823,726,871	154,582,202	770,041,640
2018	3,401,296,575	134,228,013	40,646,325	1,662,661,169	143,541,492	721,815,030
2017	3,080,621,154	148,176,520	43,498,360	1,709,233,080	136,569,492	722,963,570
2016	2,840,220,101	144,596,547	40,626,655	1,522,462,218	138,778,572	674,117,320
2015	2,691,540,650	129,986,073	46,155,651	1,379,418,937	131,555,593	623,482,130
2014	2,593,993,415	122,456,906	41,048,459	1,258,749,636	124,519,073	613,094,240
2013	2,578,235,864	115,931,563	45,688,502	1,246,663,590	118,673,486	616,488,767
2012	2,449,010,180	111,972,934	45,602,268	1,235,104,466	117,597,553	611,187,989

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

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

Table 6

Actual/Market Value					
Special Inventory	Totally Exempt Property	Total Actual/Market Value	Exemptions and Cap Adjustments	Total Taxable Assessed Value	Tax Rates ¹
\$ 41,041,280	\$ 2,202,072,357	\$ 10,063,343,544	\$ 2,946,667,603	\$ 7,116,675,941	1.263950
36,746,270	2,179,434,219	9,488,541,102	2,918,766,647	6,569,774,455	1.302450
32,387,860	2,087,740,084	8,959,882,887	2,859,355,966	6,100,526,921	1.404080
31,985,440	1,962,138,163	8,098,312,207	2,642,332,364	5,455,979,843	1.410000
31,488,290	1,923,755,086	7,796,305,552	2,544,844,885	5,251,460,667	1.400000
33,033,690	1,628,077,631	7,021,912,734	2,257,255,955	4,764,656,779	1.400000
32,493,610	1,289,504,700	6,324,137,344	1,766,101,542	4,558,035,802	1.353240
30,123,160	1,211,753,411	5,995,738,300	1,697,956,759	4,297,781,541	1.354800
25,316,408	1,180,864,751	5,927,862,931	1,674,271,058	4,253,591,873	1.355180
26,052,336	1,079,143,134	5,675,670,860	1,524,330,466	4,151,340,394	1.360998

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>School District</u>				
Maintenance & Operations	\$ 1.039800	\$ 1.068350	\$ 1.170000	\$ 1.170000
Debt Service	0.224150	0.234100	0.234080	0.240000
Waco ISD Total	<u>1.263950</u>	<u>1.302450</u>	<u>1.404080</u>	<u>1.410000</u>
<u>County</u>				
McLennan	0.468719	0.485293	0.485293	0.505293
McLennan Community College	0.149782	0.147696	0.147696	0.150346
<u>City</u>				
Waco	0.776232	0.776232	0.776232	0.776232
Woodway	0.500000	0.450000	0.450000	0.470000
Hewitt	0.547838	0.539677	0.539677	0.539677
Beverly Hills	0.473550	0.467077	0.484596	0.490145
Waco Public Improvement District	0.100000	0.100000	0.100000	0.100000

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

Rates are per \$100 of Assessed Valuation

Table 7

2017	2016	2015	2014	2013	2012
\$ 1.170000	\$ 1.170000	\$ 1.040000	\$ 1.040000	\$ 1.040000	\$ 1.040000
0.230000	0.230000	0.313240	0.314800	0.315180	0.320998
1.400000	1.400000	1.353240	1.354800	1.355180	1.360998
0.525293	0.535293	0.535293	0.535293	0.460573	0.442710
0.148898	0.149724	0.149530	0.151530	0.151530	0.152823
0.776232	0.776232	0.776232	0.776232	0.786232	0.786232
0.470000	0.470000	0.470000	0.456900	0.456900	0.456900
0.539677	0.539677	0.539677	0.539677	0.514977	0.514977
0.490145	0.490145	0.452719	0.403647	0.362501	0.326641
0.100000	0.100000	0.100000	0.100000	-	-

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

Taxpayer	2021		Percentage of Total Taxable Value ²
	Taxable Assessed Value ¹	Rank	
ONCOR Electric Delivery Co LLC	\$ 61,788,231	1	0.87%
3503 RP Waco Central LP	59,449,960	2	0.84%
CD/Park7 Waco Owner LP	53,907,970	3	0.76%
Bank of the West-Equipment Leasing	51,539,500	4	0.72%
Owens-Brockway Glass Container Inc	51,050,861	5	0.72%
ATMOS Energy/Mid-Tex Distribution	51,046,400	6	0.72%
Madison Loft LLC	49,367,690	7	0.69%
CBL/Richland Mall LP	46,146,210	8	0.65%
ACC OP (Speight Ave) LLC	44,651,620	9	0.63%
PCC Waco, LLC	44,224,290	10	0.62%
Inland Western Waco Central, L.P.			
Tractor Supply			
Seavest Inc			
Texas Farm Bureau Business Corporation			
Hoppenstein Properties Inc			
Outpost Apartments LLC ETAL			
Total	<u>\$ 513,172,732</u>		<u>7.21%</u>

Source: McLennan County Tax Office Certified Roll reports

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

² Taxable assessed value equals: \$ 7,116,675,941

³ Taxable assessed value equals: \$ 4,151,340,394

Table 8

2012		
Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Value ³
\$ 39,448,116	4	
38,813,271		
23,637,065	6	0.57%
22,131,858	7	0.53%
40,477,164		
41,360,203	3	1.00%
50,709,220	1	1.22%
42,112,827	2	1.01%
24,113,522	5	0.58%
20,327,752	8	0.49%
19,622,960	9	0.47%
18,100,000	10	0.44%
<u>\$ 380,853,958</u>		<u>9.17%</u>

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

Fiscal Year Ended August 31,	Total Levy Amount Before Levy Loss, Late AG Penalty and Rendition Penalty	Levy Loss, Late AG Penalty & Rendition Penalty	Tax Office Adjustment	Taxes Levied for the Fiscal Year
2021	\$ 89,694,811	\$ (3,921,630)		\$ 85,773,181
2020	85,568,026	(3,878,891)		81,689,135
2019	85,656,279	(3,904,054)		81,752,225
2018	76,929,316	(3,299,038)	(20,079)	73,630,278
2017	73,520,449	(2,771,977)		70,748,472
2016	66,705,195	(2,293,604)		64,411,591
2015	61,681,166	(2,704,824)	-	58,976,342
2014	58,226,350	(2,724,605)	-	55,501,745
2013	57,643,826	(2,872,208)	(11,203)	54,771,618
2012	56,499,660	(2,888,803)	-	53,610,857

Source: McLennan County Tax Assessor/Collector

Table 9

Collected within the Fiscal Year of the Levy			Total Collections to Date	
Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
\$ 84,416,904	98.42%	\$ 1,191,935	\$ 85,608,839	99.81%
81,947,736	100.32%	1,035,899	82,983,635	101.58%
83,362,598	101.97%	817,821	77,206,627	94.44%
76,596,826	104.03%	(6,155,971)	70,440,855	95.67%
69,209,687	97.82%	(6,859,885)	62,349,802	88.13%
62,798,654	97.50%	(5,683,116)	57,115,538	88.67%
57,839,516	98.07%	(3,837,815)	54,001,701	91.57%
54,159,631	97.58%	(2,886,198)	51,273,433	92.38%
53,216,868	97.16%	352,457	53,569,325	97.80%
51,660,098	96.36%	(845,158)	50,814,940	94.78%

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

Fiscal Year Ended August 31,	Governmental Activities			Total Outstanding Debt
	General Obligation Bonds ¹	Maintenance Tax Notes	Lease Revenue Bonds	
	2021	\$ 155,274,348	\$ -	
2020	158,445,378	-	-	158,445,378
2019	167,357,623	-	345,000	167,702,623
2018	175,222,345	-	670,000	175,892,345
2017	183,001,730	-	980,000	183,981,730
2016	190,557,149	-	1,270,000	191,827,149
2015	192,761,860	570,000	1,545,000	194,876,860
2014	187,447,193	1,120,000	1,805,000	190,372,193
2013	193,429,910	1,645,000	2,055,000	197,129,910
2012	198,998,547	2,150,000	2,290,000	203,438,547

Source: District's Notes to the Financial Statements

¹ Details regarding the District's outstanding debt, net of premiums, discounts, and adjustments can be found in the Notes to the Financial Statements.

² See Assessed Value and Estimated Actual Value of Taxable Property

³ See Operating Statistics Table for student enrollment data

Table 10

<u>Ratio of Debt to Taxable Assessed Value²</u>	<u>Net Debt per Student³</u>
2.18%	\$ 10,727
2.41%	9,493
2.75%	9,492
3.22%	10,037
3.50%	10,331
4.03%	12,310
4.28%	12,807
4.43%	12,782
4.63%	12,826
4.90%	13,175

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

Fiscal Year Ended August 31,	General Obligation Bonds	Less Amounts Available in Debt Service Fund ¹	Net General Bonded Debt
2021	\$ 133,030,000	\$ 4,866,235	\$ 128,163,765
2020	141,440,000	3,990,782	137,449,218
2019	148,430,000	4,057,107	144,372,893
2018	155,130,000	3,911,753	151,218,247
2017	183,001,730	4,653,605	178,348,125
2016	190,557,149	4,646,144	185,911,005
2015	192,761,860	4,627,553	188,134,307
2014	187,447,193	3,626,685	183,820,508
2013	191,522,353	3,476,956	188,045,397
2012	197,516,714	3,119,528	194,397,186

Source: District's Notes to the Financial Statements

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

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

³ See Operating Statistics Table for student enrollment data

Table 11

<u>Ratio of Debt to Taxable Assessed Value²</u>	<u>Net Bonded Debt per Student³</u>
1.80%	\$ 8,854
2.09%	9,225
2.37%	9,689
2.77%	10,202
3.40%	11,826
3.90%	12,439
4.13%	12,561
4.28%	12,342
4.42%	12,354
4.68%	12,682

Waco Independent School District
Direct and Overlapping Governmental Activities Debt
as of August 31, 2021

<u>Taxing Authority</u>	<u>Gross Debt Outstanding</u>	<u>Percent Overlapping¹</u>
<u>Overlapping</u>		
McLennan County	\$ 62,965,000	37.83%
McLennan Community College	48,245,000	37.83%
City of Waco	535,275,000	64.53%
City of Woodway	31,415,000	8.26%
Subtotal, Overlapping Debt		

Direct

Waco Independent School District

Total Direct and Overlapping Debt

Total Direct and Overlapping Debt % of Assessed Values

Total Direct and Overlapping Debt per Capita

Source: Municipal Advisory of Texas (Texas MAC), *Estimated Overlapping Debt Statement*, as of August 31, 2021

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

Amount Applicable to School District	
\$	23,819,660
	18,251,084
	345,412,958
	<u>2,594,879</u>
	390,078,581
	 133,030,000
\$	<u><u>523,108,581</u></u>
	 8.03%
\$	5,324

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

Fiscal Year	McLennan County Estimated Population ¹	City of Waco Estimated Population ¹	District Estimated Population ²	Median Household Income ³
2021 ⁵	-	-	-	-
2020	260,579	138,486	113,627	40,190
2019	256,623	139,236	112,268	51,078
2018	248,429	133,964	111,836	48,713
2017	245,720	131,996	109,920	47,267
2016	243,394	130,659	108,460	46,860
2015	241,505	129,193	107,467	46,602
2014	239,717	127,796	106,492	43,609
2013	237,316	126,406	105,635	40,633
2012	234,626	124,843	104,422	40,633

¹ Source: Waco Chamber of Commerce, Texas Comptroller of Public Accounts, and U.S. Census Bureau

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

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

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

⁵ With the exception of the unemployment rate, information for 2021 is not yet available

Table 13

Per Capita Personal Income ³	Unemployment Rate ⁴
-	4.6%
22,461	5.3%
22,461	3.5%
24,166	3.7%
25,266	4.3%
24,968	4.2%
23,262	4.1%
21,722	5.6%
22,217	6.4%
22,217	6.9%

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

Employer	Type of Business	2021		
		Employees	Rank	Percentage of Total Employment ¹
Baylor University	Higher Education	3,253	1	2.67%
Ascension Providence	Healthcare	3,075	2	2.53%
Waco Independent School District	Public Education	2,373	3	1.95%
H-E-B Stores	Retail	2,000	4	1.64%
Baylor Scott & White Medical Center - Hillcrest	Healthcare	1,736	5	1.43%
Texas State Technical College	Higher Education	1,706	6	1.40%
City of Waco	Local Government	1,518	7	1.25%
McLennan County	Local Government	1,201	8	0.99%
Sanderson Farms Inc.	Manufacturing	1,200	9	0.99%
Wal-Mart Stores	Retail	1,174	10	0.96%
Midway Independent School District	Public Education			
L3 Technologies	Aerospace			
		<u>19,236</u>		<u>15.81%</u>

Source: Waco Chamber of Commerce and Texas Workforce Commission

McLennan County:

¹ Total Employment for 2021: 121,736

² Total Employment for 2012: 116,550

Table 14

2012		
Employees	Rank	Percentage of Total Employment ²
2,583	1	2.22%
2,538	3	2.18%
2,276	4	1.95%
1,500	8	1.29%
1,800	6	1.54%
1,506	7	1.29%
1,041	10	0.89%
2,561	2	2.20%
1,067	9	0.92%
2,079	5	1.78%
<u>18,951</u>		<u>16.26%</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Professional Staff:				
Teachers	1,002.7	991.0	982.2	1,000.2
Professional Support:				
Counselor	39.7	41.6	38.9	38.7
Educational Diagnostician	10.0	6.8	5.4	9.6
Librarian	3.0	2.1	2.3	3.0
Music Therapist	0.0	0.0	0.0	0.0
Occupational Therapist	1.0	2.8	2.0	1.8
School Nurse	6.9	7.0	6.8	5.8
LSSP/Psychologist	3.0	2.0	1.0	3.0
Social Worker	4.5	4.5	6.4	8.9
Speech Therapist/Speech-language Pathologist	16.0	10.8	9.8	11.8
Teacher Facilitator	83.8	77.2	85.0	78.2
Athletic Trainer	4.0	4.0	4.0	4.0
Other Campus Professional	41.7	46.8	43.7	42.6
Other Non-instructional District Professional	81.5	73.7	72.4	66.9
Campus Administration:				
Assistant Principal	43.7	45.6	48.9	49.0
Principal	25.0	24.8	23.0	23.0
Registrar	0.0	0.0	0.0	0.0
Central Administration:				
Assistant/Associate/Deputy Superintendent	5.0	4.7	2.0	3.0
Administrative/Instructional Program Director	17.0	11.4	11.0	11.0
Superintendent	1.0	1.0	1.0	1.0
Athletic Director	1.0	1.0	1.0	1.0
Business Manager	1.0	1.0	1.0	1.0
Director of Personnel/Human Resources	4.0	4.0	2.0	2.0
Total Professional Staff	<u>1,395.5</u>	<u>1,363.7</u>	<u>1,349.8</u>	<u>1,365.5</u>
Educational Aides	395.5	409.7	392.9	406.8
Auxiliary Staff	<u>525.3</u>	<u>590.2</u>	<u>567.1</u>	<u>571.3</u>
Total Personnel	<u><u>2,316.3</u></u>	<u><u>2,363.6</u></u>	<u><u>2,309.8</u></u>	<u><u>2,343.6</u></u>

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

Table 15

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
.	994.9	941.8	909.4	894.5	905.7	962.2
	38.8	37.3	37.9	38.9	38.4	36.4
	9.0	9.1	10.6	9.0	10.0	11.5
	3.0	3.9	6.0	7.0	7.0	8.0
	0.0	0.0	0.0	0.0	0.0	1.0
	2.0	2.0	1.0	2.0	0.0	0.0
	18.9	19.9	20.0	20.0	20.1	24.9
	4.0	4.0	4.0	4.6	6.6	6.5
	8.0	11.0	8.9	5.1	2.0	3.0
	14.0	11.4	12.0	12.5	11.7	10.0
	72.0	71.6	34.0	28.7	26.2	71.5
	4.0	4.0	4.0	4.0	5.0	4.6
	44.7	34.4	55.6	49.4	41.7	8.1
	68.6	64.6	51.9	43.8	47.0	30.4
	47.9	47.4	45.0	44.0	46.5	37.0
	24.0	22.0	22.9	23.1	24.0	30.6
	0.0	0.0	1.0	1.0	2.0	3.0
	4.0	4.0	4.0	0.0	1.0	3.0
	8.0	8.0	9.0	18.5	8.0	9.5
	1.0	1.0	1.0	1.0	1.0	1.0
	1.0	1.0	1.0	1.0	1.0	1.0
	1.0	1.0	1.0	1.0	1.0	1.0
	2.0	2.0	2.0	2.0	2.0	2.0
.	<u>1,370.8</u>	<u>1,301.4</u>	<u>1,242.2</u>	<u>1,211.1</u>	<u>1,207.9</u>	<u>1,266.2</u>
	392.3	297.7	225.8	193.8	158.3	158.3
.	<u>566.3</u>	<u>571.7</u>	<u>528.6</u>	<u>485.5</u>	<u>499.9</u>	<u>563.0</u>
:	<u><u>2,329.4</u></u>	<u><u>2,170.8</u></u>	<u><u>1,996.6</u></u>	<u><u>1,890.4</u></u>	<u><u>1,866.1</u></u>	<u><u>1,987.5</u></u>

Waco Independent School District
Operating Statistics
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal</u> <u>Year</u>	<u>Enrollment</u> ¹	<u>Operating</u> <u>Expenditures</u> ²	<u>Cost</u> <u>per</u> <u>Student</u>	<u>Percentage</u> <u>Change</u>
2021	14,475	194,210,341	13,417	6.09%
2020	14,899	188,433,094	12,647	5.81%
2019	14,756	176,373,841	11,953	2.87%
2018 ³	14,823	172,226,475	11,619	2.48%
2017	15,081	170,989,474	11,338	4.93%
2016	14,946	161,487,147	10,805	7.91%
2015	14,978	149,977,010	10,013	9.16%
2014	14,894	136,629,620	9,173	1.94%
2013	15,221	136,951,764	8,998	1.94%
2012	15,329	135,308,262	8,827	0.10%

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

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

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

Table 16

Government-wide Expenses ³	Cost Per Student	Percentage Change	Teaching Staff (FTE) ¹	Student to Teacher Ratio	Percent Economically Disadvantaged ⁴
210,510,225	14,543	2.30%	1,003	14.43	91.60%
211,811,397	14,216	6.63%	991	15.03	90.32%
196,728,789	13,332	42.26%	982	15.03	93.98%
138,920,412	9,372	-24.60%	1,000	14.82	88.87%
187,455,293	12,430	2.89%	995	15.16	86.95%
180,564,836	12,081	9.87%	942	15.87	88.32%
164,697,513	10,996	6.16%	909	16.48	88.99%
154,266,204	10,358	2.28%	895	16.64	90.27%
154,144,323	10,127	1.19%	906	16.80	89.82%
153,410,251	10,008	0.25%	962	15.93	88.35%

Waco Independent School District

Teacher Base Salaries

Last Ten Fiscal Years

Fiscal Year Ended August 31,	District		
	Minimum Salary ¹	Maximum Salary ¹	Average Salary ²
2021	\$ 49,100	\$ 60,350	\$ 53,777
2020	49,000	66,600	54,100
2019	46,100	63,200	50,922
2018	45,600	62,200	50,379
2017	45,500	61,600	50,239
2016	45,000	61,500	49,628
2015	43,000	55,800	48,468
2014	42,000	59,300	47,554
2013	41,000	58,300	46,388
2012	40,000	57,300	45,344

¹ Source: District Human Resource records

² Source: Texas Education Agency website

Table 17

County Average Salary ²	Region Average Salary ²	Statewide Average Salary ²
\$ 53,289	\$ 53,672	\$ 57,641
53,154	53,292	57,091
49,211	49,440	54,122
48,923	48,988	53,334
48,377	48,560	52,525
47,665	47,829	51,891
46,005	46,653	50,715
45,511	46,303	49,692
44,765	45,546	48,821
44,360	45,177	48,375

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

Building	2021	2020	2019	2018
Elementary Schools				
Alta Vista - 1910				
Square Footage	48,872	48,872	48,872	47,336
Capacity	594	594	594	594
Enrollment	467	505	502	498
Bell's Hill - 2012 (new building)				
Square Footage	115,440	115,440	115,440	115,440
Capacity	900	900	900	900
Enrollment	729	736	775	754
Brook Avenue - 1999				
Square Footage	45,990	45,990	45,990	45,990
Capacity	484	484	484	484
Enrollment	358	365	371	372
Cedar Ridge - 1954				
Square Footage	56,725	56,725	56,725	56,725
Capacity	692	692	692	692
Enrollment	521	542	554	567
Crestview - 1951				
Square Footage	74,813	74,813	74,813	74,813
Capacity	790	790	790	790
Enrollment	472	557	536	608
Dean Highland - 2011 (new building)				
Square Footage	90,775	90,775	90,775	90,775
Capacity	834	834	834	834
Enrollment	634	720	727	739
Hillcrest - 1953				
Square Footage	47,695	47,695	47,695	47,695
Capacity	450	450	450	450
Enrollment	441	440	441	430
J.H.Hines - 2010 (new building)				
Square Footage	79,285	79,285	79,285	79,285
Capacity	680	680	680	680
Enrollment	453	488	516	503
Kendrick - 1952				
Square Footage	52,330	52,330	52,330	52,042
Capacity	582	582	582	582
Enrollment	509	531	501	530
Lake Air Montessori - 1957				
Square Footage	111,198	111,198	111,198	109,662
Capacity	746	746	746	746
Enrollment	747	786	775	710
Mountainview - 1957				
Square Footage	48,427	48,427	48,427	48,427
Capacity	550	550	550	550
Enrollment	399	400	375	382
Parkdale - 1960				
Square Footage	56,382	56,382	56,382	54,846
Capacity	692	692	692	692
Enrollment	622	673	669	620

Table 18

2017	2016	2015	2014	2013	2012
47,336	47,336	47,336	47,336	47,336	47,336
594	594	594	594	594	594
518	559	520	514	507	453
115,440	115,440	115,440	115,440	115,440	56,725
900	900	900	900	900	638
775	787	816	808	915	448
45,990	45,990	45,990	45,990	45,990	45,990
484	484	484	484	484	484
368	375	391	424	433	387
56,725	56,725	56,725	56,725	56,725	56,725
692	692	692	692	692	692
594	607	627	667	698	546
74,813	74,813	74,813	74,813	74,813	74,813
790	790	790	790	790	790
676	767	703	714	763	465
90,775	90,775	90,775	90,775	90,775	90,775
834	834	834	834	834	834
815	793	762	792	780	459
47,695	47,695	47,695	47,695	47,695	47,695
450	450	450	450	450	450
437	422	436	434	435	320
79,285	79,285	79,285	79,285	79,285	79,285
680	680	680	680	680	680
519	552	527	520	484	562
52,042	52,042	52,042	52,042	52,042	52,042
582	582	582	582	582	582
542	529	520	526	507	482
109,662	109,662	109,662	109,662	109,662	109,662
746	746	746	746	746	746
682	654	683	698	776	714
48,427	48,427	48,427	48,427	48,427	48,427
550	550	550	550	550	550
421	434	445	445	435	448
54,846	54,846	54,846	54,846	54,846	54,846
692	692	692	692	692	692
629	608	627	567	530	448

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

Building	2021	2020	2019	2018
Elementary Schools				
Provident Heights - 1999				
Square Footage	45,990	45,990	45,990	45,990
Capacity	484	484	484	484
Enrollment	363	376	367	386
South Waco - 1988				
Square Footage	65,003	65,003	65,003	65,003
Capacity	724	724	724	724
Enrollment	479	542	504	526
West Avenue - 2001				
Square Footage	51,429	51,429	51,429	51,429
Capacity	428	428	428	428
Enrollment	298	355	338	382
Middle Schools				
Cesar Chavez - 2003				
Square Footage	128,525	128,525	128,525	128,525
Capacity	1,075	1,075	1,075	1,075
Enrollment	931	931	865	847
G.W. Carver - 1956 ¹				
Square Footage	71,317	106,934	106,934	106,934
Capacity	900	900	900	900
Enrollment	461	432	488	477
Indian Spring (A.J. Moore) - 1970				
Square Footage	139,180	139,180	139,180	139,180
Capacity	700	700	700	700
Enrollment	528	558	519	524
Tennyson - 1960				
Square Footage	114,581	114,581	114,581	114,581
Capacity	1,250	1,250	1,250	1,250
Enrollment	939	920	921	930
High Schools				
University - 2011 (new building)				
Square Footage	355,513	355,513	355,513	355,513
Capacity	1,920	1,920	1,920	1,920
Enrollment	1,763	1,684	1,652	1,735
Waco - 1961				
Square Footage	346,177	346,177	346,177	346,177
Capacity	2,165	2,165	2,165	2,165
Enrollment	2,122	2,063	2,053	1,971
Alternative Schools				
Brazos High Credit Recovery - 1950				
Square Footage	59,762	59,762	59,762	59,762
Capacity	240	240	240	240
Enrollment	162	192	223	223
McLennan County Challenge Academy - 1968				
Square Footage	55,061	55,061	55,061	55,061
Capacity	75	75	75	75
Enrollment	13	34	31	22

Table 18

2017	2016	2015	2014	2013	2012
45,990	45,990	45,990	45,990	45,990	45,990
484	484	484	484	484	484
419	341	404	442	432	404
65,003	65,003	65,003	65,003	65,003	65,003
724	724	724	724	724	724
523	531	555	552	569	673
51,429	51,429	51,429	51,429	51,429	51,429
428	428	428	428	428	428
367	353	365	375	402	371
128,525	128,525	128,525	128,525	128,525	89,038
1,075	1,075	1,075	1,075	1,075	575
891	859	910	898	955	483
106,934	106,934	106,934	106,934	106,934	106,934
900	900	900	900	900	900
451	460	473	503	471	453
139,180	139,180	139,180	139,180	139,180	139,180
700	700	700	700	700	700
583	575	579	618	548	714
114,581	114,581	114,581	114,581	114,581	114,581
1,250	1,250	1,250	1,250	1,250	1,250
947	881	902	825	821	592
355,513	355,513	355,513	355,513	355,513	355,513
1,920	1,920	1,920	1,920	1,920	1,920
1,725	1,667	1,610	1,537	1,659	1,438
346,177	346,177	346,177	346,177	346,177	346,177
2,165	2,165	2,165	2,165	2,165	2,165
1,866	1,809	1,799	1,732	1,654	1,444
59,762	59,762	59,762	59,762	59,762	59,762
240	240	240	240	240	240
198	235	199	169	144	110
55,061	55,061	55,061	55,061	55,061	55,061
75	75	75	75	75	75
37	31	20	54	74	50

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

Building	2021	2020	2019	2018
G.L. Wiley Opportunity Center- 1938				
Square Footage	71,196	71,196	71,196	71,196
Capacity	75	75	75	75
Enrollment	17	69	53	67
Career and Technical Schools				
Greater Waco Advanced Manufacturing Academy - 1963				
Square Footage	61,096	61,096	61,096	61,096
Capacity	350 - 375	350 - 375	350 - 375	350 - 375
Enrollment	314	273	187	204
Greater Waco Advanced Healthcare Academy - 1968				
Square Footage	35,694	35,694	35,694	35,694
Capacity	300 - 325	300 - 325	300 - 325	300 - 325
Enrollment	393	317	215	170

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

¹ A portion of the G. W. Carver Middle School campus was destroyed by fire on July 27, 2021. Residing students have been moved to the Indian Springs Middle School for the 2021-2022 school year.

Table 18

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
71,196	71,196	71,196	71,196	71,196	71,196
75	75	75	75	75	75
71	117	77	80	93	66
61,096	61,096	61,096	61,096	48,888	48,888
350 - 375	350 - 375	350 - 375	350 - 375	550	550
170	150	150	55	-	-
35,694	35,694	35,694	35,694	35,694	35,694
300 - 325	300 - 325	264	264	264	264
200	75	-	-	-	-

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Compliance, Internal Control, and Federal Awards

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waco Independent School District (the District) as of and for the fiscal year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 12, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Board of Trustees of
Waco Independent School District

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 12, 2022

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 12, 2022

Waco Independent School District
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2021

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

- | | |
|---|--|
| 4. Internal control over major programs: | |
| a. Material Weakness(es) identified? | No |
| b. Significant Deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 5. Type of auditor’s report issued on compliance with major programs? | Unmodified |
| 6. Any Audit Findings Disclosed that are Required to be Reported in Accordance with Uniform Guidance? | No |
| 7. Identification of Major Programs | Child Nutrition Cluster 10.553, 10.555, 10.559
ESSA Title I, Part A-Improving Basic Programs 84.010A
COVID-19 Elementary and Secondary School
Emergency Relief 84.425D, 84.425U |
| 8. Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs | \$939,427 |
| 9. Auditee Qualified as a Low-Risk Auditee? | Yes |

SECTION 2 – FINANCIAL STATEMENT FINDINGS

None reported

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

**Waco Independent School District
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2021**

Prior Year Findings

None Reported

Waco Independent School District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021

Exhibit K-1

(1)	(2)	(3)	(4)
Federal Grantor/ Pass Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
ESSA Title I, Part A - Improving Basic Programs	84.010A	22610101161914	\$ 523,233
ESSA Title I, Part A - Improving Basic Programs	84.010A	21610101161914	5,715,771
ESSA Title I, Part A - Improving Basic Programs	84.010A	20610101161914	1,029,595
ESSA Title I 1003(A) Priority & Focus School Grant	84.010A	21610123161914	499,400
ESSA Title I 1003(A) Priority & Focus School Grant	84.010A	20610141161914	7,327
ESSA Title I, Transformation Zone Planning Continuation & Implementation	84.010A	196101217110007	<u>1,217,775</u>
Total Program 84.010A			<u>8,993,101</u>
Special Education Cluster (IDEA):			
IDEA - Part B Formula	84.027A	226600011619146000	320,412
IDEA - Part B Formula	84.027A	216600011619146000	2,863,956
IDEA - Part B Formula	84.027A	206600011619146000	607,805
SSA-IDEA-Part B-Discretionary (Deaf)	84.027A	216600111619146674	3,313
SSA-IDEA-Part B-Discretionary (Deaf)	84.027A	206600111619146674	<u>7,750</u>
Total Program 84.027A			<u>3,803,236</u>
IDEA - Part B Preschool	84.173A	216610011619146000	462
IDEA - Part B Preschool	84.173A	206610011619146000	<u>38,833</u>
Total Program 84.173A			<u>39,295</u>
Total Special Education Cluster (IDEA)			<u>3,842,531</u>
Career and Technical - Basic Grant: Carl D. Perkins	84.048A	22420006161914	(28)
Career and Technical - Basic Grant: Carl D. Perkins	84.048A	21420006161914	<u>257,669</u>
Total Program 84.048A			<u>257,641</u>
ESSA Title X, Part C McKinney-Vento Homeless Education	84.196A	214600057110072	<u>155,299</u>
Total Program 84.196A			<u>155,299</u>
21st Century Community Learning Centers	84.287C	216950247110030	172,214
21st Century Community Learning Centers	84.287C	206950247110030	<u>21,348</u>
Total Program 84.287C			<u>193,562</u>
ESEA Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	22671003161914	29,448
ESEA Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	21671003161914	239,206
ESEA Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	20671003161914	<u>(6,994)</u>
Total Program 84.365A			<u>261,660</u>
ESSA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	22694501161914	19,276
ESSA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	21694501161914	397,839
ESSA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	20694501161914	<u>224,226</u>
Total Program 84.367A			<u>641,341</u>
Summer School LEP	84.369A	69551402	<u>7,732</u>
Total Program 84.369A			<u>7,732</u>
Texas Title I Priority Schools, Cycle 5	84.377A	176107327110017	314,794
Instructional Continuity	84.377A	17610740161914	<u>59,118</u>
Total Program 84.377A			<u>373,912</u>
ESSA Title IV, Part A - Student Support and Academic Enrichment Program	84.424A	22680101161914	18,298
ESSA Title IV, Part A - Student Support and Academic Enrichment Program	84.424A	21680101161914	414,206
ESSA Title IV, Part A - Student Support and Academic Enrichment Program	84.424A	20680101161914	<u>19,050</u>
Total Program 84.424A			<u>451,554</u>

Waco Independent School District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021

Exhibit K-1

(1)	(2)	(3)	(4)
Federal Grantor/ Pass Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
COVID-19 -Education Stabilization Fund (ESSER Grant)	84.425D	20521001161914	2,137,950
COVID-19 -Education Stabilization Fund (CRRSA ESSER II)	84.425D	21521001161914	1,051,890
COVID-19 -Education Stabilization Fund - PPRP (CRRSA ESSER II)	84.425D	21521001161914	688,908
Total Program 84.425D			3,878,748
COVID-19 -Education Stabilization Fund (ARP ESSER III)	84.425U	21528001161914	1,710,245
Total Program 84.425U			1,710,245
Total U.S. Department of Education			20,767,326
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
Healthier US School Challenge	10.543	N/A	5,758
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non-Cash Assistance:			
National School Lunch Program	10.555	75123661	589,333
Passed Through State Department of Education - Cash Assistance:			
School Breakfast Program	10.553	714021	1,611,836
National School Lunch Program	10.555	713021	4,217,599
Passed Through State Department of Agriculture - Cash Assistance:			
COVID-19 School Programs Emergency Operational Cost Reimbursement Pgm	10.555	75123661	1,021,453
COVID-19 Summer Feeding Program	10.559	75123661	942,614
Total Child Nutrition Cluster			8,382,835
Passed Through State Department of Agriculture - Cash Assistance:			
Child and Adult Care Food Program	10.558	75123661	269,933
COVID-19 - CACFP Emergency Operational Cost Reimbursement Program	10.558	75123661	4,664
Total Program 10.558			274,597
Fresh Fruit and Vegetable Program	10.582	75123661	274,848
COVID-19 - Pandemic EBT Administrative Costs	10.649	75123661	5,814
Total U.S. Department of Agriculture			8,943,852
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	12.000	N/A	112,575
Passed Through McLennan County:			
Payments in Lieu of Real Estate Taxes	12.112	N/A	1,536
Total U.S. Department of Defense			114,111
<u>U.S. Department of Justice</u>			
Passed Through Office of Community Oriented Policing Services:			
Public Safety Partnership and Community Policing Grants	16.710	2019SVWX0004	414,795
Passed Through State Department of Education:			
STOP School Violence-Mental Health Cycle 2	16.710	194310027110007	3,100
Total U.S. Department of Justice			417,895
<u>U.S. Department of Labor</u>			
Passed through State Department of Education:			
P-TECH Planning and Implementation	17.258	213933017110016	7,746
Total U.S. Department of Labor			7,746

Waco Independent School District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021

Exhibit K-1

(1)	(2)	(3)	(4)
Federal Grantor/ Pass Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Treasury</u>			
Direct Program:			
Volunteer Income Tax Assistance Grant (VITA)	21.009	21VITA0122	11,992
Passed Through Texas Division of Emergency Management:			
COVID-19 - Coronavirus Relief Fund	21.019	2020-CF-21019	256,381
Passed Through Region 4 Education Service Center:			
COVID-19 - Operation Connectivity Bulk-Purchase Pgm - Non Cash Assistance	21.019	205220017110001	<u>591,300</u>
Total U.S. Department of Treasury			<u>859,673</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Texas Health and Human Services Commission:			
Medicare Administrative Claiming (MAC)	93.778	529-07-0157-00230	<u>203,616</u>
Total U.S. Department of Health and Human Services			<u>203,616</u>
Total Expenditures of Federal Awards			<u>\$ 31,314,219</u>

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

Waco Independent School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2021

Note 1. Summary of Significant Accounting Policies

Special revenue funds are used to account for resources restricted to, or committed for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of the specified grant/project period.

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

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

Note 2. De Minimis Indirect Cost Rate

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

Note 3. Reconciliation to the Basic Financial Statements

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

Federal awards per Schedule of Expenditures of Federal Awards	\$ 31,314,219
Student Health and Related Services Program (SHARS)	2,259,226
Universal E-rate	<u>148,958</u>
Total federal program revenues - Exhibit C-2	<u><u>\$ 33,722,403</u></u>

Waco Independent School District
Schools FIRST Questionnaire (Unaudited)
For the Year Ended August 31, 2021

Exhibit L-1

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and / or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	<p>Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.)</p> <p>Payments to TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.</p> <p>Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.</p>	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$ 9,616,813

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