

**WACO INDEPENDENT SCHOOL DISTRICT
SPECIAL MEETING
WISD Conference Center
115 S 5th Street
Waco, Texas 76701**

Thursday, January 26, 2023 - 12:00 PM

A Special Meeting of the Board of Trustees of Waco Independent School District will be held January 26, 2023 beginning at 12:00 PM in the WISD Conference Center, 115 S 5th Street, Waco, Texas.

The subjects to be discussed or considered or upon which any formal action may be taken are listed below. Items do not have to be taken in the same order as shown on this meeting notice/agenda.

Unless removed from the consent agenda, items identified within the consent agenda will be acted on at one time.

AGENDA

1. **Call to Order**
2. **Public Comments on Agenda Items**
3. **Consider, Discuss and Take Appropriate Action Regarding the 2023-2024 Instructional Calendar**
Presenter: Dr. Deena Cornblum
4. **Review and Discuss the 2021-2022 External Audit Results and Take Appropriate Action Regarding the Annual Financial Report for the Fiscal Year Ended August 31, 2022**
Presenter: Sheryl Davis & John DeBurro, CPA
5. **Announcements**
6. **Adjournment**

Waco Independent School District

Board of Trustee Meeting Agenda Item

Date: January 26, 2023

Contact Person: Deena Cornblum

RE: Consider, Discuss and Take Appropriate Action Regarding the 2023-2024 Instructional Calendar

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Background Information

The 2023-2024 instructional calendar is being presented for the Board’s consideration and approval. Texas Education Code §25.081 requires districts to provide at least 75,600 minutes of instruction. This requirement is satisfied with the calendar being presented. In accordance with EB (LOCAL), Waco ISD is a District of Innovation and shall be exempt from state laws that generally require instruction for students to begin no earlier than the fourth Monday in August and prohibit scheduling the last day of school prior to May 15.

The features of the proposed 2023-2024 school calendar include the following:

- New teacher start date – August 1
- Start date for all staff – August 3
- Start date for students – August 14
- Number of teacher contract days – 187
- Number of student days – 163
- Number of instructional minutes – 78,510 (including professional development waiver days)
- Number of extra days above required minutes of instruction – 6.26
- Number of early release days – 3
- Number of teacher in-service or workdays – 8
- Number of teacher protected planning days - 5
- Thanksgiving Break – November 20-24
- Winter Break – December 21 – January 5
- Spring Break – March 4-8
- Bad Weather Day – April 15
- Additional student and staff holidays – September 4 (Labor Day), October 9 (Columbus Day), January 15 (Martin Luther King Jr. Day), March 29 (Good Friday)

The calendar choices were presented to the Quality District Advisory Committee (QDAC) on November 28, 2022 for first review. Members of the QDAC solicited feedback after this meeting and shared findings at the January 9, 2023 QDAC meeting. The QDAC approved the drafts for voting at the January meeting. Voting took place from January 10-21, 2023.

Fiscal Implications

The selected calendar is structured to meet the daily operational and instructional minutes required to receive full ADA funding. This funding will be reflected in the annual budgeting process.

Administrative Recommendation(s)

Approve the 2023-2024 instructional calendar as presented.

Waco ISD 2023-2024 Instructional Calendar

JULY						
S	M	T	W	Th	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

JANUARY						
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28	29	30	31			

AUGUST						
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FEBRUARY						
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SEPTEMBER						
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MARCH						
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31						

OCTOBER						
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29	30	31				

APRIL						
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NOVEMBER						
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MAY						
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DECEMBER						
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24	25	26	27	28	29	30
31						

JUNE						
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23	24	25	26	27	28	29
30						

Key	
 	Student Holiday/Staff Inservice or Workday
 	Staff Inservice/Comp Day
 	Student and Staff Holiday
 	Beginning of 6-week
 	End of 6-week
 	Early Student Release/Staff Inservice
 	New Staff Orientation
 	Bad Weather Day

Holidays	
9/4/2023	Labor Day
10/9/2023	Columbus Day
11/20/2023-11/24/2023	Thanksgiving Break
12/22/2023-1/5/2024	Winter Break
1/15/2024	Martin Luther King Jr. Day
2/19/2024	President's Day
3/4-3/8/2024	Spring Break
3/29/2024	Good Friday

Six Week Instructional Days		
28 days	8/14/2023	9/22/2023
26 days	9/26/2023	11/3/2023
26 days	11/6/2023	12/20/2023
1st Semester	80	
27 days	1/9/2024	2/16/2024
31 days	2/20/2024	4/12/2024
28 days	4/16/2024	5/23/2024
2nd Semester	86	
Total	166	

Early Release Day(s)
Wednesday, December 20, 2023
Wednesday, May 22, 2024
Thursday, May 23, 2024

Bad Weather Make-up Day(s)
Monday, April 15, 2024

School Start and End Times	
ES Regular	7:45 - 3:30 / 465 min
ES Early Release	7:45 - 12:30 / 285 min
MS Regular	8:30 - 4:15 / 465 min
MS Early Release	8:30 - 1:15 / 285 min
HS Regular	8:30 - 4:15 / 465 min
HS Early Release	8:30 - 1:15 / 285 min
LAMMS Regular	7:45 - 3:30 / 465 min
LAMMS Early Release	7:45 - 12:30 / 285 min

Total Minutes: 78,510
 Total Student Days: 163
 Additional Minutes: 2,910
 Additional Days: 6.26
 Teacher Workdays: 187

Protected Planning Days
 9/15, 10/20, 12/8, 2/2, 3/28

Professional Development Days
 9/25, 10/30, 11/17, 3/1

Campus Days 1/8 (half-day)
Teacher Work Day 8/9, 1/8 (half-day), 5/24



Waco Independent School District
Board of Trustee Meeting Agenda Item

Date: January 26, 2023 **Contact Person:** Sheryl Davis

RE: Review and Discuss the 2021-2022 External Audit Results and Take Appropriate Action Regarding the Annual Financial Report for the Fiscal Year Ended August 31, 2022

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Background Information:

Section 44.008 of the Texas Education Code requires that the board of trustees of a school district shall have its school district fiscal accounts audited annually at district expense by a certified or public accountant. The audit must be completed following the close of each fiscal year and is due not later than the 150th day (January 28th) after the close of the fiscal year.

The annual financial report for fiscal year ended August 31, 2022, has been completed and the partner-in-charge of the audit, John De Burro, will provide a summary of the results and findings from the audit.

A copy of the Annual Financial Report for the Fiscal Year Ended August 31, 2022 as well as the auditor’s governance communication letter and presentation is included in the Board packet for review prior to the meeting.

Fiscal Implications:

None

Administrative Recommendations:

The administration recommends that the Board of Trustees approve the annual financial and compliance report for the year ended August 31, 2022, as presented.

January 20, 2023

To the Board of Trustees of
Waco Independent School District
501 Franklin Ave.
Waco, Texas 76712

We have audited the financial statements of Waco Independent School District (the District) as of and for the year ended August 31, 2022, and have issued our report thereon dated January 20, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated February 14, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

With respect to any nonaudit/nonattest services we perform as previously communicated to you in the engagement letter, the District acknowledges and understands that the District has the responsibility for (a) making all management decisions and performing all management functions; (b) assigning an individual with suitable skills, knowledge, and experience to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities. Such nonaudit/nonattest services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Audit Standards*.

Significant Risks Identified

Audit standards require that we communicate significant risks identified in the planning phase and that we design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by error or fraud. Accordingly, we have identified the following:

- Improper revenue recognition – due to the nature and complexity of State Foundation Program revenue
- Accounts payable and purchases – due to the risk of improper or unauthorized expenditures
- Payroll – due to the risk of unauthorized time or improper payroll charges

We performed walk-through procedures over each of the above areas to gain assurance that controls were effectively designed and implemented.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. During fiscal year 2022, the District implemented GASB Statement No. 87, Leases, as described further in Note 9 to the financial statements. Implementation of this standard required that beginning balances of right-to-use assets and lease liability be restated. Beginning fund balances and net position were not affected by the implementation. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

1. Allowance for uncollectible taxes
2. Foundation School Program state aid revenue

Management's estimates of the items noted above are based on historical experience or information provided by third parties or the Texas Education Agency. We evaluated the key factors and assumptions used to develop these estimates and determined that the estimates are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in a separate letter dated January 20, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the District's annual reports does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have made certain inquiries of management and evaluated the form, content, and methods of preparing the other information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. Such other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and we do not provide any assurance on them.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Modification of the Auditor's Report

We have made the following modification to our auditor's report:

An emphasis of matter paragraph was included regarding the implementation of GASB Statement No. 87, *Leases* as described above. Our opinions are not modified with respect to this matter.

This report is intended solely for the information and use of the Board of Trustees and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas



Waco Independent School District

Annual Financial Report

For the Fiscal Year Ended August 31, 2022

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

501 Franklin Avenue

Waco, Texas 76701

www.wacoisd.org

Waco Independent School District
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Introductory Section

Certificate of Board

Waco Independent School District

McLennan County

161-914

We, the undersigned, certify that the attached annual financial and compliance reports of the above named independent school district were reviewed and approved for the year ended August 31, 2022 at a meeting of the Board of Trustees of such independent school district on the 26th day of January, 2023.

Jeremy Davis, Board Secretary

Stephanie Ibarra-Korteweg, Board President

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

Financial Statements

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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 year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 9 to the basic financial statements, during the fiscal year ended August 31, 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 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, as listed in the table of contents, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information and 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 Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the Statistical Section and the Schools FIRST Questionnaire, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
January 20, 2023

Management's Discussion and Analysis

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2022

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, 2022. 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, 2022:

- ◆ On a government-wide basis, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20.8 million. This is the first time since the fiscal year ended August 31, 2017, and the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, that the District has had a positive net position. The Statement, along with Statement No. 68, *Accounting and Financial Reporting for Pensions*, require the District to recognize the District's proportionate share of pension and post-employment benefit liabilities in the government-wide financial statements. This requirement 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. Approximately \$5.4 million of the improvement in net position is a result in the net changes in pension and OPEB liabilities and deferred outflows and deferred inflows of resources.
- ◆ The District's governmental funds financial statements reported combined ending fund balances of \$267.1 million, an increase of \$204.8 million over the prior year. The increase is primarily due to the issuance of \$189.5 million in general obligation bonds as well as the receipt of \$20.3 million in insurance recoveries of which \$201.5 million remained unspent at August 31, 2022.
- ◆ The District's general fund had an ending fund balance of \$55.3 million, of which \$45.7 million is unassigned and available for the purposes for which these funds are collected. The unassigned amount represents 28.1% of its annual operating expenditures. The total fund balance increased by \$1.7 million from the prior year with the unassigned fund balance increasing by \$9.1 million.
- ◆ The ending fund balance for the National School Breakfast and Lunch Programs was \$5.7 million, an increase of \$1.0 million from the prior year.
- ◆ Fund balances restricted for debt service decreased by \$0.9 million to \$4.0 million.

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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.

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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. For the fiscal year ended August 31, 2022, the capital projects fund is required to be reported as a major fund because the total assets of the fund are at least 10 percent of the corresponding total assets of all governmental funds. 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". The non-major funds include federal stimulus fund sources.

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- ◆ **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 District utilizes fiduciary funds or custodial funds to account for 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 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, 2022, the District's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$20.8 million, an improvement of \$31.9 million from August 31, 2021.

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

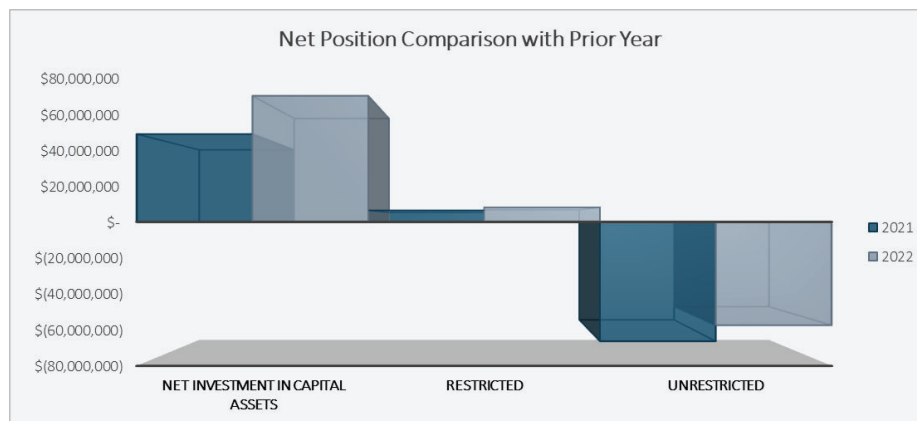
	Governmental Activities		% Change
	2022	2021 ¹	
Current and other assets	\$ 297,556,641	\$ 84,298,166	253.0%
Capital assets, net of accumulated depreciation	195,566,341	179,536,154	8.9%
Total assets	493,122,982	263,834,320	86.9%
Deferred outflows of resources	38,130,829	43,267,218	-11.9%
Current liabilities	30,364,188	16,845,825	-80.3%
Long-term liabilities	415,666,338	254,324,111	-63.4%
Total liabilities	446,030,526	271,169,936	-64.5%
Deferred inflows of resources	64,408,100	46,987,226	-37.1%
Net position (deficit):			
Net investment in capital assets	70,120,164	48,860,389	43.5%
Restricted	8,133,295	6,450,277	26.1%
Unrestricted (deficit)	(57,438,274)	(66,366,290)	13.5%
Total net position (deficit)	\$ 20,815,185	\$ (11,055,624)	288.3%

¹ Capital assets, net of accumulated depreciation and long-term liabilities for the fiscal year ended August 31, 2021 have been restated to include the impact of implementing GASB Statement No. 87, Leases, in the amount of \$1,339,519.

A significant portion of the District's net position is reflected in its investment in capital assets, e.g., land, buildings, right-to-use leased assets, 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 \$21.3 million from last year primarily due to a \$23.2 million increase in construction-in-progress assets.

Additionally, \$8.1 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 \$57.4 at August 31, 2022, increasing \$8.9 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.



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Changes in net position

The following table provides a summary comparing the District's operations for the years ended August 31, 2022 and 2021. For the year ended August 31, 2022, governmental activities increased the District's net position by \$31.9 million.

	Governmental Activities		% Change
	2022	2021	
Revenues:			
Program Revenues:			
Charges for services	\$ 5,065,566	\$ 5,091,716	-0.51%
Operating grants and contributions	78,498,084	44,556,955	76.17%
General Revenues:			
Property taxes	84,678,777	86,091,281	-1.64%
Grants and contributions not restricted	67,479,128	80,387,751	-16.06%
Investment earnings	1,085,024	173,600	525.01%
Miscellaneous	1,078,051	1,964,052	-45.11%
Total revenues	237,884,630	218,265,355	8.99%
Expenses:			
Instruction	101,232,746	108,588,615	-6.77%
Instructional resources and media services	3,235,033	1,192,490	171.28%
Curriculum and instructional staff development	8,933,429	9,121,131	-2.06%
Instructional leadership	4,136,081	5,332,555	-22.44%
School leadership	9,819,089	10,695,652	-8.20%
Guidance, counseling, and evaluation services	7,025,873	7,496,360	-6.28%
Social work services	935,250	1,100,337	-15.00%
Health services	1,402,295	1,805,296	-22.32%
Student transportation services	3,172,110	3,200,450	-0.89%
Food services	9,874,172	8,374,591	17.91%
Extracurricular activities	6,419,770	5,788,669	10.90%
General administration	5,867,190	5,920,000	-0.89%
Plant maintenance and operations	17,389,733	18,505,551	-6.03%
Security and monitoring services	2,421,712	3,027,839	-20.02%
Data processing services	3,794,523	3,507,680	8.18%
Community services	1,829,316	1,794,330	1.95%
Debt service - Interest on long-term debt	7,502,230	5,157,532	45.46%
Debt service - Issuance costs and fees	20,900	1,038,026	-97.99%
Facilities acquisition, improvements, and maintenance	1,196,164	15,522	100.00%
Payments to fiscal agents/member districts of shared services arrangements	358,512	330,000	8.64%
Payments related to Juvenile Justice Alternative Education program	601,643	295,918	103.31%
Payments to tax increment reinvestment zones	8,124,221	8,207,338	-1.01%
Other intergovernmental charges	721,826	704,473	2.46%
Total expenses	206,013,818	211,200,355	-2.46%
Change in net position	31,870,812	7,065,000	-351.11%
Net position (deficit), September 1	(11,055,627)	(18,120,624)	38.99%
Net position (deficit), August 31	\$ 20,815,185	\$ (11,055,624)	288.28%

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Governmental activities

Total revenues, as reflected in the District's governmental activities, increased \$19.6 million for the fiscal year ended August 31, 2022. Total expenses for the fiscal year decreased \$5.2 million.

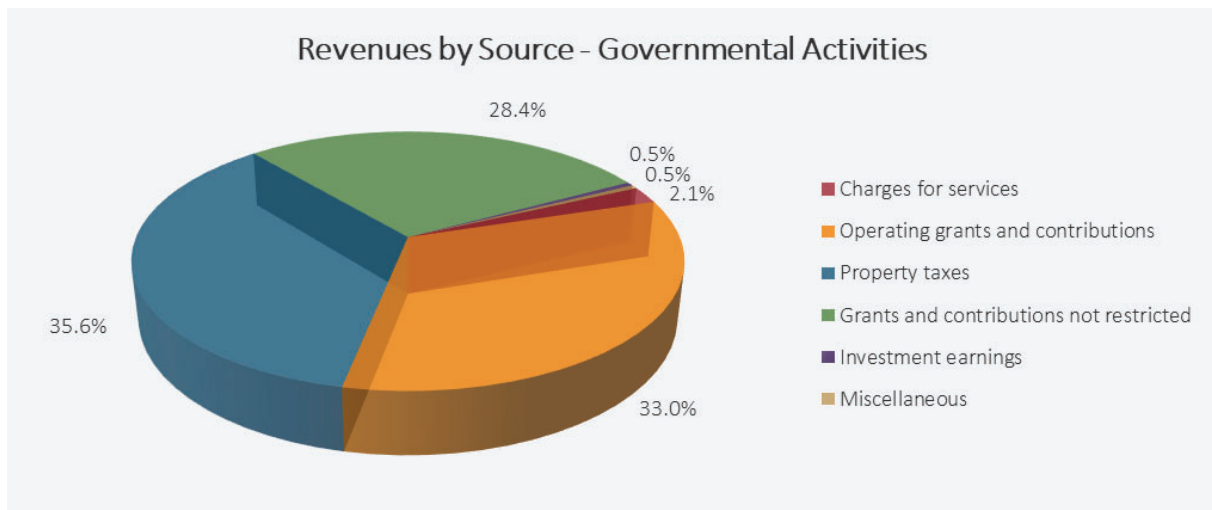
Program revenues, in the form of charges for services and operating grants and contributions, are inadequate to support the cost of operations. Consequently, after all program-specific revenues are applied, general revenues must cover all remaining costs. Revenues are generated primarily from two sources: grants and contributions (both program and general revenues), totaling \$146.0 million or 61.4% of total revenues, and property taxes, totaling \$84.7 million or 35.6% of total revenues.

The District's largest single source of revenue comes from local property taxes. Property tax revenue decreased \$1.4 million from the prior year. Although certified values increased \$2.4 billion, final adjusted values were only \$0.3 billion higher than the previous year. Additionally, the continued compression of the maintenance and operations tax rate and a slight decrease in the interest and sinking rate resulted in a \$0.01931 decrease in the overall tax rate.

State formula funding under the Foundation School Program, totaling \$67.5 million, contributed 28.4% of the District's revenues with a decrease of \$12.9 million over last year. This decrease was due in part to an enrollment decline of 342 students as well as a significant decrease in student attendance. Once again, the Commissioner of Education implemented hold harmless funding for the first four six weeks of the school year, generating hold harmless funding of \$5.0 million.

Program related grants and contributions totaled \$78.5 million. This increase of \$33.9 million is due to the expenditure of federal stimulus dollars, normalized participation in child nutrition programs, as well as insurance recoveries. 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, expanding funding to address afterschool care, school health supports, and the increased needs of children in special education and homeless children and youth. During the fiscal year ended August 31, 2022, the District expended \$8.4 million in federal stimulus funds.

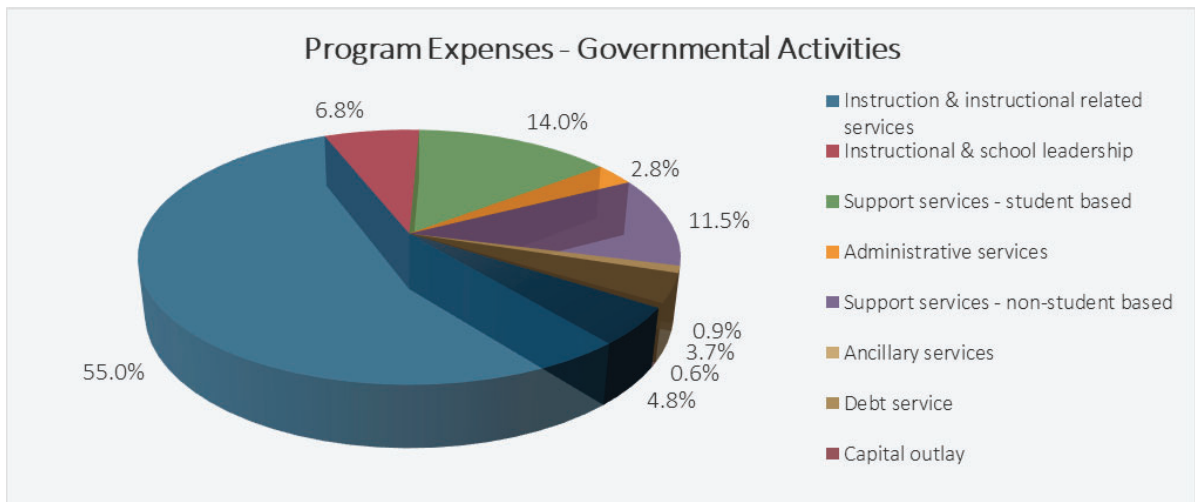
The remaining 3.1% is generated from charges for services, investment earnings, and miscellaneous revenues. Investment earnings increased \$0.9 million as interest rates increased.



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The cost of all governmental activities totaled \$206.0 million decreasing \$5.2 million from the prior year. Although the District approved a 3% average increase for staff, the decrease in enrollment and related activities as well as a concerted restructuring of program delivery resulted in cost savings. The District continued to experience 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. \$113.4 million or 55.0% of the District’s total expenses was spent on instruction and instructional related services with another \$28.8 million, 14.0%, attributable to student based support services and \$14.0 million, 6.8%, to instructional and school leadership. Non-student based support services totaled \$23.6 million. Intergovernmental expenses to support shared service arrangements, the central appraisal district, and the pass-through of tax collections for properties in the Tax Increment Reinvestment Zone, totaled \$9.8 million while expenses related to paying debt service totaled \$7.5 million. The remaining 3.7% was spent for general administrative costs and ancillary services.



Financial Analysis of the District’s Funds

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

Governmental Funds

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

At August 31, 2022, the District’s governmental funds, shown on Exhibit C-1, reported a combined ending fund balance of \$267.1 million, an increase of \$204.7 million from the prior year. This increase is due almost exclusively to the unexpended general obligation bonds issued in February 2022 and the insurance recovery for the fire-damaged middle school. The unassigned fund balance in the general fund constitutes 17.1% of the combined ending fund balances.

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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	\$ 379,279
Prepaid items	18,765
Restricted fund balance:	
Federal or state funds grant restriction	5,676,286
Capital acquisition and contractual obligations	201,458,495
Retirement of long-term debt	4,006,234
Other restricted fund balance	2,457,009
Committed fund balance:	
Construction and other major improvements	2,602,851
Capital expenditures for equipment	1,838,446
Other committed fund balance	2,903,920

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, 2022, the fund balance for the general fund totaled \$55.3 million, increasing \$1.7 million from the year ended August 31, 2021. However, the unassigned portion of the fund balance increased by \$10.0 million to \$45.7 million, while committed funds decreased by \$9.7 million. Much of the decrease in committed funds is attributable to voter approval of the bond election and the subsequent issuance of \$189.5 million in general obligation bonds which relieved the general fund of \$3.8 million of previously committed funds for design of the proposed projects.

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 28.1% of total fund expenditures, while the total fund balance is 34.0%.

National School Breakfast and Lunch Program

Revenues for the National School Breakfast and Lunch Program exceeded expenditures by \$1.0 million. This is similar to the results of operations for the prior year. Although, with the normalization of meal participation, revenues increased \$3.7 million, expenditures increased a similar amount of \$3.9 million. The General Fund recognized \$0.5 in indirect cost recoveries from the program to cover administrative costs as well as plant maintenance, security, and technology infrastructure. Again this year, the District received permission from the Texas Department of Agriculture to transfer \$0.1 million in excess reimbursements, generated through the Summer Feeding program, into the National School Lunch and Breakfast program. Supply chain and service industry issues continued to delay the completion of the cooler and freezer project and the delivery of equipment. \$1.6 million was rebudgeted in the 2022-2023 fiscal year to complete the purchases. The fund balance at year end totaled \$5.7 million.

Debt service

Reserves in the debt service fund decreased by \$0.9. Property value increases allowed the District to reduce its I&S tax rate from \$0.22415 to \$0.22024, and increase tax collections and related fees by \$0.7 million. Approximately \$1.2 million of the tax collections passed through to the Tax Increment Fund. The District issued unlimited tax school building bonds in the amount of \$189,500,000 and the Board of Trustees approved a cash defeasance of \$1.5 million of a portion of the 2016 refunding bonds. These transactions resulted in a net increase in the District's future debt of \$199.9 million. The ending debt service reserve of \$4.0 million represents 23.2% of the annual debt service.

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Capital projects

In November 2021, voters passed a \$355 million bond election to fund new construction in the rebuild of a high school, two middle schools, and one elementary school as well as an addition and renovations to a second elementary school. In February 2022, the District issued \$189.5 million in general obligation bonds to begin construction of the high school and middle schools and later received \$19.5 million in insurance proceeds to help rebuild one of the middle schools. At year end, \$18.3 million had been expended on construction and another \$93.1 million remained obligated in construction contracts. Ending reserves in the capital projects fund totaled \$201.5 million at August 31, 2022.

Non-major governmental funds

Non-major governmental funds include special revenue funds used to account for all financial resources restricted to, or designated for specific purposes by a grantor or other authority. Typically, the special revenue funds do not carry a fund balance. The fund balance shown of \$0.6 million, for the non-major governmental funds represents committed fund balances in campus activity funds of \$636,544 and apprenticeship training program of \$20,475.

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 \$10.1 million and employee contributions totaled \$3.4 million. Monthly contribution rates for health insurance were increased from \$404.26 to \$456.00 per employee per month for the 2022 plan year. Fees paid to the third party administrators totaled \$1.2 million. Claims expense totaled \$12.7 million and included actuarial determined incurred but not reported claims of \$300,617 for workers' compensation, medical claims of \$675,169 and prescription drug claims of \$46,395. The ending net position for the fund was \$3.0 million a decrease from the prior year of \$0.5 million and represents 19.3% of the fund's operating expenses for 2021-2022.

General Fund Budgetary Highlights

On August 26, 2021, 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	\$ 165,054,484
National School Breakfast and Lunch Program fund	10,968,269
Debt Service Fund	17,277,246

In addition to the functional appropriations, the District budgeted an operating transfer of \$689,443 out of 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

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budgeted appropriations in these funds by the following amounts: General Fund, \$1.0 million, National School Breakfast and Lunch Program, \$1.4 million, and Debt Service fund by \$1.0 million.

For the 2022 fiscal year, the General Fund budget was adopted based on a compressed tax rate of \$1.0244 per \$100 of valuation, a decrease of \$.0154. In proposing the 2021 tax rate, the Board also approved a decrease in the interest and sinking rate of \$0.00396, from \$0.23420 to \$0.22024 per \$100 of valuation. This decrease resulted from increased property values.

Estimated state Foundation School Program revenues were based on an average daily attendance (ADA) of 13,261. Declines in enrollment and attendance rates in the 2020-2021 school year, as a result of the pandemic, increased the uncertainty in projecting ADA for 2021-2022 funding purposes. While we anticipated a recovery of enrollment, we reduced the attendance rate, projecting a loss in state revenue of \$0.7 million. Unfortunately, enrollment declined another 342 students and the attendance rate fell by a full 5.0%. The Commissioner of Education again implemented hold harmless measures applying a target percentage attendance rate (based on the 2019-2020 rate) to the first four six weeks of attendance. However, the final two six weeks were based on actual attendance. While the revenue loss, based on actual attendance, would have been \$11.8 million, the hold harmless measures adopted by the state decreased that loss by \$5.0 million.

The Board's priorities for the 2021-2022 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 3% for all employees, increasing the starting teacher pay from \$49,100 to \$50,250. The pay increase cost the general fund approximately \$1.4 million, net of projected salary savings, with another \$1.0 million in increased benefits costs, primarily due to a legislated increase in rates for Teacher Retirement contributions and an increase in the District's contribution to the group health plan.

Another \$1.4 million was added for additional staffing, \$0.5 million was attributable to required staffing for special education, and \$0.6 million in other unavoidable rate and contractual obligations increases. Additionally, the District funded new positions costing \$0.5 million in athletics and security and an upgrade to the student and financial accounting systems. However, funding losses limited the District's ability to support maintenance improvements as well as vehicle and equipment replacements. Federal stimulus funding was again 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 the program. Cumulative unexpended revenues generated by the campuses in the Transformation Zone of \$2.5 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.

Waco Independent School District
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2022

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

- Revenue estimates were increased by \$4.2 million, with offsetting appropriations increases, for increased pass-through collections for properties in the tax increment financing zone and expected insurance recoveries. The District is involved in three major property insurance claims, as discussed in further detail in notes to the budgetary information. The District received \$20.3 million in insurance recoveries during the fiscal year. While repairs due to winter storm damage have been completed, replacement of mechanical systems suffering hail damage are still ongoing, and the replacement of the fire-damaged G. W. Carver Middle School is under construction.
- Unassigned fund balance was used to support expenditure appropriations for the following:
 - \$7.3 million for the re-appropriation of budgets for purchase orders from fiscal year 2021, honored in 2022;
 - \$2.1 million for the continued mitigation, repair, and replacement of items damaged due to hail, winter storm, and fire;
 - \$1.4 million for the completion of the walk-in cooler/freezer project;
 - \$0.7 million for bus purchases; and
 - \$8.3 million to cover schematic design for the new Waco High School and G. W. Carver rebuild projects. The Board had adopted resolutions to reimburse the general fund for these costs if the proposed bond election was passed successfully. When the election passed in November 2021 and bonds were issued in February 2022, budgeted appropriations were decreased by the \$8.3 million and expenditures were reclassified to the capital projects fund.

During fiscal year 2022, National School Breakfast and Lunch Fund appropriations were increased by \$2.8 million. Budgeted appropriations increased for the re-appropriation of budgets for equipment and vehicle purchases, which were not received at August 31, 2021, and the equipment for the cooler-freezer project. The District has had an excess fund balance in the child nutrition program for the past few years and had intended to address the situation in the 2020-2021 fiscal year. However, supply chain issues and service issues have continued to delay completion of remediation plans. The Texas Department of Agriculture has granted an extension through its approval of our plan to address the excess through June 30, 2023.

In developing the original budget for the Debt Service fund and in preparation for the bond election, it was determined that the fund balance restricted for debt service was adequate to defease a portion, \$1.5 million, of the 2016 refunding bonds. The \$1.0 million excess of budgeted appropriations over estimated revenues reflect that proposed action.

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 | \$ 918,256 |
| • The Regional Day School for the Deaf | 1,009,645 |
| • The Greater Waco Advanced Academies: | |
| - Advanced Health Care Academy | 1,361,938 |
| - Advanced Manufacturing Academy | 1,217,047 |

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2022

Capital Assets

The District's investment in capital assets for its governmental activities as of August 31, 2022, totaled \$195.3 million, net of accumulated depreciation of \$161.0 million. The increase in buildings and improvements, net of accumulated depreciation, of \$2.4 million from the prior year reflects the completion of Paul Tyson Stadium and the purchase of portables as interim housing during the rebuild of several campuses net of the demolition and removal of the remaining buildings at G. W. Carver Middle School. The increase of \$1.9 million in land assets relates to the land swaps between to District, the City of Waco, and McLennan County to accommodate the expansion of the Extraco Events Center and the rebuild of Waco High School. The District had a net loss on asset disposals of \$3.0 million. The summary of capital assets includes right-to-use assets, net of depreciation, of \$1.0 million. This change is due to the implementation of GASB 87, Leases. Asset data for the year ended August 31, 2021, has been restated to include these assets. 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, 2022	August 31, 2021
Land	\$ 11,217,629	\$ 9,310,772
Buildings and improvements	156,822,436	154,375,803
Furniture, equipment, and vehicles	7,879,170	8,090,640
Right-to-use assets, equipment	1,032,011	1,339,520
Construction in progress	18,615,095	6,419,420
Total capital assets, net of accumulated depreciation/amortization	<u>\$ 195,566,341</u>	<u>\$ 179,536,155</u>

Major capital asset acquisitions for the current fiscal year included:

- Paul Tyson Stadium, \$9.4 million and portable purchases of \$1.5 million; and
- Construction-in-progress of the rebuild of the Waco High School, \$7.4 million, G. W. Carver Middle School, \$8.2 million, Tennyson Middle School, \$2.3 million, as well as \$0.6 million in infrastructure for the cooler/freezer project.

These acquisitions were offset by depreciation and the removal of the demolished buildings at G. W. Carver and disposal of surplus property through trade-ins. Additional information may be found in Note 8 to the financial statements.

Long-term Liabilities

At August 31, 2022, the District had total long-term liabilities totaling \$415.7 million. Of this amount, \$343.4 million comprises debt backed by the full faith of the State of Texas Permanent School Fund. During the 2021-2022 fiscal year, the District retired \$10.4 million in bonded debt through scheduled debt service payments and defeased another \$1.5 million of the 2016 refunding bonds. In February 2022, the District issued unlimited tax school building bonds in the amount of \$189.5 million, with a premium of \$12.2 million, as approved in the November 2021 bond election. This is the first of three planned issues of the total \$355.0 million authorization. Bond payments due within one year total \$6.7 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.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2022

Long-term obligations include \$23.9 million and \$47.4 million, respectively, for the District's proportionate share of the net pension and other post-employment benefits liabilities. The District's proportionate share of the net pension liability decreased \$26.2 million and its proportionate share of the net TRS-Care post-employment benefit liability decreased \$0.3 million from the prior year.

The long-term obligations also include the impact of implementing GASB Statement No. 87, Leases. The lease obligation at the beginning of period was \$1.3 million, amortization of the debt for the year ended August 31, 2022 was \$0.3 million for an ending balance of \$1.0 million. Lease payments due within one year total \$0.3 million. Long-term liability data for the fiscal year ended August 31, 2021 has been restated to include this liability.

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

	Governmental Activities	
	August 31, 2022	August 31, 2021
General obligation bonds, par	\$ 310,660,000	\$ 133,030,000
Premiums	23,028,069	12,627,535
Accumulated accretion	9,690,218	9,616,813
Total bonds payable	343,378,287	155,274,348
Leases payable	1,027,098	1,339,519
Net pension liability	23,898,364	50,061,628
Other post-employment benefits liability	47,362,589	47,648,616
Total long-term liabilities	\$ 415,666,338	\$ 254,324,111

Additional information about the District's long-term debt is presented in Notes 1, 10, 11 and 12 to the financial statements.

Economic Factors and Next Year's Budgets and Tax Rates

For the 2023 fiscal year, the Board of Trustees adopted a General Fund budget in which appropriations, of \$160.3 million, exceeded estimated revenues, of \$158.0 million, by \$2.3 million. Additionally, the budget included operating transfers of \$1.0 million to cover projected shortfalls in funding for the Greater Waco Advanced Academies and the Regional Day School Program for the Deaf.

The uncertainties in projecting enrollment and attendance and its impact on school funding continued to be the greatest challenge in developing the 2022-2023 budget. State revenues are primarily driven by student populations in average daily attendance (ADA). Enrollment had decreased 710 students between fiscal years 2020 and 2022 and attendance rates had decreased from a five-year average of 90.4% in 2019 to 84.6% in 2022. While trying to take a more conservative approach in developing the budget for the 2023 fiscal year, we did not want to underestimate revenues to such an extent that we were unable to provide much needed salary and benefit increases. As a result, the 2022-2023 budget was based on an enrollment of 14,020, a decrease of another 66 students, and an attendance rate of 88.5%, up 3.9% from 2021-2022 but down 1.9% from the historical average. The adjustments in average daily attendance produced a decrease in the General Fund Foundation School Program revenue estimate of \$19.5 million.

The decrease was largely offset by an increase in local property tax collections of \$12.3 million. 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

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2022

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 16.95% resulted in a maximum tier one tax rate of \$0.8046, a total maintenance and operations tax rate of \$0.9429. Impact to the homeowner was partially offset by a voter-authorized increase in the homestead exemption of \$15,000.

On the expenditure side, campus staffing allocations are heavily based on projected student counts. The impact of multiple years of enrollment declines necessitated a review of staffing at the campuses and central office. This exercise generated approximately \$3.1 million in budget reductions. That, coupled with the allocation of federal funding to cover \$0.8 million in other positions, allowed the District to again provide an average salary increase of 3%, increasing the starting teacher pay from \$50,100 to \$50,925 and provide strategic adjustments to various positions on the pay scales, including placement scale adjustments totaling \$125,843 to auxiliary staff. The salary package with adjustments totaled \$2.7 million, net of salary savings. Additionally, the cost reductions covered benefit increases of \$1.0 million in group health and teacher retirement.

Increased identification of students requiring special education services, necessitated the hiring of another \$1.1 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. Another \$1.6 million was budgeted for unavoidable cost increases in utilities, insurance, technology licensing and safety.

Since the budget was adopted, \$4.5 million in funds, committed for projects during the 2021-2022 fiscal year, have been rebudgeted in 2022-2023. \$0.6 million of these committed funds were appropriated for the infrastructure for the central chiller and freezer units for child nutrition programs, \$1.5 million for the future purchase of school buses, \$0.2 million for classroom furniture purchases, and \$2.2 million for purchase orders, outstanding at August 31st. In December, \$0.7 million was taken from the unassigned fund balance to cover pre-award costs for safety and security projects. These expenditures will be recovered through state safety grants.

The District continued to leverage federal stimulus funding to enhance literacy programs, procure instructional technology, including student and teacher devices, learning management software, training, and hotspots to enable Waco ISD students to access the internet, provide social and emotional programming, and additional instructional support to assist in the recovery of learning losses.

Federal funding will continue to assist in covering costs for the next few years. At August 31, 2022, approximately \$53.2 million remained in awarded ESSER II and III funding, including expanded awards for afterschool care, learning acceleration, school health, and homeless children and youth support. 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.

Participation in the National School Breakfast and Lunch Program seems to have normalized for the first semester of 2022-2023. While original budget appropriations of \$11.0 million exceeded estimated revenues of \$9.9 million by \$1.1 million, the original budget included \$0.5 million in appropriations for kitchen equipment. Additionally, \$1.6 million was rebudgeted for prior year purchase orders where services were not rendered or goods received as of August 31, 2022. The District ended the 2021-2022 fiscal year with a fund balance of \$5.7 million, \$2.9 million in excess of allowable fund balance, and has planned to invest, the excess balance into equipment upgrades and serving line renovations.

Waco Independent School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended August 31, 2022

On the debt service side, the issuance of \$189,500,000 million in general obligation tax school building bonds required an increase in the interest and sinking tax rate of \$0.078729 per \$100 of valuation, from \$0.22024 to \$0.298969. This increase was mitigated by property value increases of 16.95% and the cash defeasance of \$1.5 million of the 2016 refunding bonds.

The District continues to deal with the protracted impact of COVID-19. As discussed, as of September 1, 2023, the District had over \$53.2 million in federal stimulus funding remaining. These funds will be targeted at additional technology and other interventions to address student learning losses. We do not expect projections of enrollment, ADA, or staffing to get any easier for the 2023-2024 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

Waco Independent School District
Statement of Net Position
August 31, 2022

Exhibit A-1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
Assets		
1110	Cash and cash equivalents	\$ 267,548,658
1120	Investments	19,304,895
1220	Property taxes receivable	3,446,291
1230	Allowance for uncollectible taxes	(2,647,854)
1240	Due from other governments	8,854,998
1250	Accrued interest receivable	112,397
1290	Other receivables	539,212
1300	Inventories	379,279
1400	Prepayments	18,765
	Capital assets not subject to depreciation:	
1510	Land	11,217,629
	Capital assets, net of accumulated depreciation:	
1520	Buildings and improvements	156,822,436
1530	Furniture, equipment, and vehicles	7,879,170
1550	Right-to-use leased assets	1,032,011
1580	Construction in progress	18,615,095
1000	Total assets	<u>493,122,982</u>
Deferred Outflows of Resources		
1701	Deferred charge on refunding	14,789,870
1705	Deferred outflow of pension resources	13,879,166
1706	Deferred outflow of other post-employment benefit resources	9,461,793
1700	Total deferred outflows of resources	<u>38,130,829</u>
Liabilities		
2110	Accounts payable	12,284,516
2120	Other liabilities	1,336,303
2140	Accrued interest payable	3,650,180
2150	Payroll deductions and withholdings	1,627,802
2160	Accrued wages payable	6,229,543
2177	Due to fiduciary funds	56,699
2180	Due to other governments	4,882,944
2300	Unearned revenue	296,201
	Noncurrent liabilities:	
2501	Due within one year	6,920,515
2502	Due after one year	337,484,870
2540	Net pension liability	23,898,364
2545	Net other post-employment benefit liability	47,362,589
2000	Total liabilities	<u>446,030,526</u>
Deferred Inflows of Resources		
2605	Deferred inflows of pension resources	26,513,313
2606	Deferred inflows of other post-employment benefit resources	37,894,787
2600	Total deferred inflows of resources	<u>64,408,100</u>
Net Position (Deficit)		
3200	Net investment in capital assets	70,120,164
	Restricted for:	
3820	Federal and state programs	5,676,286
3890	Restricted for other purposes	2,457,009
3900	Unrestricted	(57,438,274)
3000	Total net position	<u>\$ 20,815,185</u>

Waco Independent School District
Statement of Activities
For the Year Ended August 31, 2022

Exhibit B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		3	4		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Primary Government:					
Governmental activities:					
0011	Instruction	\$ 101,232,746	\$ 2,627,136	\$ 27,298,888	\$ (71,306,722)
0012	Instructional resource and media services	3,235,033	39,650	2,224,242	(971,141)
0013	Curriculum and instructional staff development	8,933,429	9,913	5,928,645	(2,994,871)
0021	Instructional leadership	4,136,081	309,837	1,082,900	(2,743,344)
0023	School leadership	9,819,089	171,891	1,145,362	(8,501,836)
0031	Guidance, counseling, and evaluation services	7,025,873	266,818	2,686,707	(4,072,348)
0032	Social work services	935,250	-	328,300	(606,950)
0033	Health services	1,402,295	-	365,147	(1,037,148)
0034	Student transportation services	3,172,110	-	600,214	(2,571,896)
0035	Food services	9,874,172	442,536	10,327,380	895,744
0036	Extracurricular activities	6,419,770	723,579	623,714	(5,072,477)
0041	General administration	5,867,190	116,184	2,742,403	(3,008,603)
0051	Plant maintenance and operations	17,389,733	307,365	1,476,763	(15,605,605)
0052	Security and monitoring services	2,421,712	5,321	79,778	(2,336,613)
0053	Data processing services	3,794,523	30,467	198,144	(3,565,912)
0061	Community services	1,829,316	-	1,349,347	(479,969)
0072	Interest on long-term debt	7,502,230	-	-	(7,502,230)
0073	Issuance cost and fees	20,900	-	-	(20,900)
0081	Facilities acquisition, improvements, and repairs	1,196,164	14,869	19,971,638	18,790,343
0093	Payments to fiscal agents/member districts of shared services arrangements	358,512	-	68,512	(290,000)
0095	Payments related to Juvenile Justice Alternative Education Program	601,643	-	-	(601,643)
0097	Payments to tax increment zones	8,124,221	-	-	(8,124,221)
0099	Other intergovernmental charges	721,826	-	-	(721,826)
TP	Total primary government	<u>\$ 206,013,818</u>	<u>\$ 5,065,566</u>	<u>\$ 78,498,084</u>	<u>(122,450,168)</u>
	Data Control Codes				
	General revenues:				
	Taxes:				
MT	Property taxes, levied for general purposes				69,695,140
DT	Property taxes, levied for debt service				14,983,637
GC	Grants and contributions not restricted				67,479,128
IE	Investment earnings				1,085,024
MI	Miscellaneous				1,078,051
TR	Total general revenues				<u>154,320,980</u>
CN	Change in net position				31,870,812
NB	Net position (deficit), beginning				<u>(11,055,627)</u>
NE	Net position (deficit), ending				<u>\$ 20,815,185</u>

Waco Independent School District
Balance Sheet
Governmental Funds
August 31, 2022

Exhibit C-1

	10	24	50	60		98	
Data		Natl School	Debt	Capital	Non-major	Total	
Control	General	Breakfast &	Service	Projects	Governmental	Governmental	
Codes	Fund	Lunch Fund	Fund	Fund	Funds	Funds	
Assets							
1110	Cash and cash equivalents	\$ 49,247,690	\$ 3,880,531	\$ 4,041,189	\$ 209,704,294	\$ 674,954	\$ 267,548,658
1120	Investments	18,556,395	748,500	-	-	-	19,304,895
1220	Property taxes - delinquent	2,822,730	-	623,561	-	-	3,446,291
1230	Allowance for uncollectible taxes (credit)	(2,167,519)	-	(480,335)	-	-	(2,647,854)
1240	Receivables from other governments	80,014	997,545	2,178	-	7,775,260	8,854,997
1250	Accrued interest receivable	109,202	3,195	-	-	-	112,397
1260	Due from other funds	7,518,477	1,568,647	-	-	478,793	9,565,917
1290	Other receivables	134,401	-	-	-	123,079	257,480
1300	Inventories	379,279	-	-	-	-	379,279
1410	Prepayments	18,765	-	-	-	-	18,765
	Total assets	\$ 76,699,434	\$ 7,198,418	\$ 4,186,593	\$ 209,704,294	\$ 9,052,086	\$ 306,840,825
Liabilities							
2110	Accounts payable	\$ 3,037,855	\$ 1,431,130	\$ 9,500	\$ 6,689,605	\$ 954,389	\$ 12,122,479
2120	Other current liabilities	29,191	-	-	284,857	73	314,121
2150	Payroll deductions and withholdings payable	1,381,892	-	-	-	-	1,381,892
2160	Accrued wages payable	5,294,095	91,002	-	2,331	842,115	6,229,543
2170	Due to other funds	6,196,301	-	3,951	1,269,006	6,293,987	13,763,245
2180	Due to other governments	4,850,960	-	23,682	-	8,302	4,882,944
2300	Unearned revenues	-	-	-	-	296,201	296,201
	Total liabilities	20,790,294	1,522,132	37,133	8,245,799	8,395,067	38,990,425
Deferred Inflows of Resources							
2601	Unavailable revenues - property taxes	655,211	-	143,226	-	-	798,437
2600	Total deferred inflows of resources	655,211	-	143,226	-	-	798,437
Fund Balances							
Nonspendable fund balance:							
3410	Investments in inventory	379,279	-	-	-	-	379,279
3430	Prepaid items	18,765	-	-	-	-	18,765
Restricted fund balance:							
3450	Federal or state funds grant restriction	-	5,676,286	-	-	-	5,676,286
3470	Capital acquisition and contractual obligations	-	-	-	201,458,495	-	201,458,495
3480	Retirement of long-term debt	-	-	4,006,234	-	-	4,006,234
3490	Other restricted fund balance	2,457,009	-	-	-	-	2,457,009
Committed fund balance:							
3510	Construction and other major improvements	2,602,851	-	-	-	-	2,602,851
3530	Capital expenditures for equipment	1,838,446	-	-	-	-	1,838,446
3545	Other committed fund balance	2,246,901	-	-	-	657,019	2,903,920
3600	Unassigned fund balance	45,710,678	-	-	-	-	45,710,678
3000	Total fund balances	55,253,929	5,676,286	4,006,234	201,458,495	657,019	267,051,963
4000	Total liabilities, deferred inflows, and fund balances	\$ 76,699,434	\$ 7,198,418	\$ 4,186,593	\$ 209,704,294	\$ 9,052,086	\$ 306,840,825

Waco Independent School District
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
August 31, 2022

Exhibit C-1R

Fund balances - total governmental funds (Exhibit C-1) \$ 267,051,963

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	\$ 356,594,747	
Accumulated depreciation of governmental capital assets	<u>(161,028,406)</u>	195,566,341

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. 798,437

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	\$ (310,660,000)	
Premium on bonds payable	(23,028,069)	
Accreted interest on capital appreciation bonds	(9,690,218)	
Accrued interest on the bonds	(3,650,180)	
Leases payable	(1,027,098)	
Net pension liability	(23,898,364)	
Net post-employment benefits liability	<u>(47,362,589)</u>	(419,316,518)

An internal service fund is used by the District to charge the costs of various services to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 2,992,233

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. 14,789,870

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. 23,340,959

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. (64,408,100)

Net position (deficit) of governmental activities (Exhibit A-1) \$ 20,815,185

Waco Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended August 31, 2022

Exhibit C-2

Data Control Codes	10 General Fund	24 Natl School Breakfast & Lunch Fund	50 Debt Service Fund	60 Capital Projects Fund	Non-major Governmental Funds	98 Total Governmental Funds	
Revenues							
5700	Local and intermediate sources	\$ 78,449,148	\$ 448,949	\$ 16,093,945	\$ 19,465,988	\$ 4,065,482	\$ 118,523,512
5800	State program revenues	80,837,451	-	301,238	-	1,123,809	82,262,498
5900	Federal program revenues	5,440,229	11,119,936	-	-	30,997,612	47,557,777
5020	Total revenues	<u>164,726,828</u>	<u>11,568,885</u>	<u>16,395,183</u>	<u>19,465,988</u>	<u>36,186,903</u>	<u>248,343,787</u>
Expenditures							
Current:							
0011	Instruction	83,819,415	-	-	-	21,740,269	105,559,684
0012	Instructional resources and media	923,496	-	-	-	2,235,427	3,158,923
0013	Curriculum and instructional staff development	3,913,528	-	-	-	5,789,222	9,702,750
0021	Instructional leadership	3,575,977	-	-	-	936,685	4,512,662
0023	School leadership	9,979,218	-	-	-	721,418	10,700,636
0031	Guidance, counseling, and evaluation services	5,332,994	-	-	-	2,383,410	7,716,404
0032	Social work services	733,384	-	-	-	298,292	1,031,676
0033	Health services	1,428,087	-	-	-	78,585	1,506,672
0034	Student transportation services	2,612,824	-	-	-	-	2,612,824
0035	Food services	38,290	10,727,075	-	-	-	10,765,365
0036	Extracurricular activities	5,527,694	-	-	-	587,568	6,115,262
0041	General administration	6,203,810	-	-	-	32,173	6,235,983
0051	Plant maintenance and operations	17,509,676	-	-	-	361,396	17,871,072
0052	Security and monitoring services	2,617,442	-	-	-	9,121	2,626,563
0053	Data processing services	3,543,294	-	-	-	128	3,543,422
0061	Community services	587,946	-	-	-	1,336,493	1,924,439
Debt service:							
0071	Principal	312,422	-	11,870,000	-	-	12,182,422
0072	Interest	9,383	-	4,209,816	-	-	4,219,199
0073	Bond issuance cost and fees	-	-	20,900	-	-	20,900
Capital outlay:							
0081	Facilities acquisition, construction, and improvements	5,218,328	-	-	18,251,753	-	23,470,081
Intergovernmental:							
0093	Payments to fiscal agent districts of shared services arrangements	290,000	-	-	-	68,512	358,512
0095	Payments related to Juvenile Justice Alternative Education Program	601,643	-	-	-	-	601,643
0097	Payments to tax increment fund	6,969,754	-	1,154,468	-	-	8,124,222
0099	Other intergovernmental charges	721,825	-	-	-	-	721,825
6030	Total expenditures	<u>162,470,430</u>	<u>10,727,075</u>	<u>17,255,184</u>	<u>18,251,753</u>	<u>36,578,699</u>	<u>245,283,141</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>2,256,398</u>	<u>841,810</u>	<u>(860,001)</u>	<u>1,214,235</u>	<u>(391,796)</u>	<u>3,060,646</u>
Other Financing Sources (Uses)							
7911	Bonds issued	-	-	-	189,500,000	-	189,500,000
7915	Transfers in	-	135,985	-	-	554,131	690,116
7916	Premium on refunding bonds issued	-	-	-	12,202,030	-	12,202,030
8911	Transfers out	(545,704)	-	-	-	(144,412)	(690,116)
	Total other financing sources (uses)	<u>(545,704)</u>	<u>135,985</u>	<u>-</u>	<u>201,702,030</u>	<u>409,719</u>	<u>201,702,030</u>
1200	Net change in fund balances	1,710,694	977,795	(860,001)	202,916,265	17,923	204,762,676
0100	Fund balances, beginning	53,543,235	4,698,491	4,866,235	(1,457,770)	639,096	62,289,287
3000	Fund balances, ending	<u>\$ 55,253,929</u>	<u>\$ 5,676,286</u>	<u>\$ 4,006,234</u>	<u>\$ 201,458,495</u>	<u>\$ 657,019</u>	<u>\$ 267,051,963</u>

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, 2022

Exhibit C-2R

Total net changes in fund balances - Governmental Funds (Exhibit C-2) \$ 204,762,676

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

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

Capital assets increase	\$ 27,023,795	
Depreciation expense	<u>(7,943,954)</u>	19,079,841

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments, and dispositions) is a decrease to net position. (3,049,655)

Because some property taxes will not be collected for several months after the fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. The decrease in deferred tax revenues is a decrease to net position. (970,721)

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. 10,370,000

Defeasance of outstanding bonds decreases long-term liabilities in the statement of net position.

Cash payment	\$ 1,500,000	
Premium	320,804	
Accreted interest	<u>(164,084)</u>	1,656,720

Issuance of general obligation 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	\$ (189,500,000)	
Premium	<u>(12,202,030)</u>	(201,702,030)

Implementation of GASB 87 for Leases creates a liability related to the right-to-use assets.

The current year amortization of the liability results in a decrease to net position. 312,423

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, 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 increased	\$ (3,479,699)	
Interest accreted on capital appreciation bonds	(73,405)	
Amortization of bond premiums	1,480,692	
Amortization of charge on refunding	<u>(1,367,337)</u>	(3,439,749)

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	\$ (5,449,835)	
Deferred inflows increase	(18,652,929)	
Net pension liability decrease	<u>26,163,264</u>	2,060,500

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

Deferred outflows increase	\$ 1,844,867	
Deferred inflows decrease	1,232,055	
Net other post-employment benefits liability decrease	<u>286,027</u>	3,362,949

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. (572,142)

Changes in net position of governmental activities (Exhibit B-1) \$ 31,870,812

Waco Independent School District
Statement of Net Position
Proprietary Fund
August 31, 2022

Exhibit D-1

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Assets	
Current assets:	
Due from other funds	\$ 4,140,630
Other receivables	<u>281,732</u>
Total assets	<u>4,422,362</u>
Liabilities	
Current liabilities:	
Accounts payable	162,037
Short term claims payable	1,022,182
Payroll deductions and withholdings payable	<u>245,910</u>
Total liabilities	<u>1,430,129</u>
Net Position	
Unrestricted net position	<u>2,992,233</u>
Total net position	<u>\$ 2,992,233</u>

Waco Independent School District
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
Year Ended August 31, 2022

Exhibit D-2

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Operating revenues:	
Employee contributions	\$ 3,386,556
Insurance recoveries	2,681
Rebates on prescription drugs	1,441,603
Assessments to other funds	<u>10,098,433</u>
Total operating revenues	<u>14,929,273</u>
Operating expenses:	
Contracted administrative services	1,222,608
Reinsurance	1,510,875
Fees	7,767
Claims expense	12,677,770
Other operating expenses	<u>82,395</u>
Total operating expenses	<u>15,501,415</u>
Operating loss	(572,142)
Net position:	
Net position, beginning	<u>3,564,375</u>
Net position, ending	<u>\$ 2,992,233</u>

Waco Independent School District
Statement of Cash Flows
Proprietary Fund
For the Year Ended August 31, 2022

Exhibit D-3

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Cash Flows from Operating Activities	
Cash received from employee contributions	\$ 3,386,556
Cash received from insurance recoveries	2,681
Cash received from rebates on prescription drugs	1,441,603
Cash received from assessments to other funds	10,670,575
Cash payments for contracted administrative services	(1,222,608)
Cash payments for reinsurance	(1,510,875)
Cash payments for claims	(12,677,770)
Cash payments for fees	(7,767)
Cash payments for wellness program expenses	<u>(82,395)</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	\$ (572,142)
Effects of increases and decreases in current assets and liabilities:	
Decrease in amounts due from other funds	614,614
Increase in other receivables	(265,565)
Decrease in prepayments	28,689
Decrease in accounts payable	(254,276)
Increase in payroll deductions and withholdings payable	244,529
Increase in claims liability	<u>204,151</u>
Net cash provided by operating activities	<u><u>\$ -</u></u>

Waco Independent School District
Statement of Fiduciary Net Position
Fiduciary Funds
August 31, 2022

Exhibit E-1

	<u>Custodial Fund</u>
Assets	
Investments	\$ 15,310
Accrued interest	155
Due from other funds	<u>56,698</u>
Total assets	<u>\$ 72,163</u>
Liabilities	
Accounts payable	<u>\$ (155)</u>
Total liabilities	<u>(155)</u>
Net Position	
Restricted for other purposes	<u>72,318</u>
Total net position	<u><u>\$ 72,318</u></u>

Waco Independent School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended August 31, 2022

Exhibit E-2

	<u>Custodial Fund</u>
Additions:	
Earnings from investments	\$ 139
Miscellaneous revenue from student activities	<u>65,708</u>
Total additions	<u>65,847</u>
Deductions:	
Payroll costs	118
Contracted services	31,732
Supplies and materials	27,136
Other miscellaneous operating expenses	<u>15,618</u>
Total deductions	<u>74,604</u>
Change in net position	(8,757)
Net position, beginning	<u>81,075</u>
Net position, ending	<u>\$ 72,318</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.

Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022

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.

Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022

Capital Projects Fund – The capital projects fund is used to account for proceeds from the sales of bonds and other financial resources that for capital outlays, including acquiring, constructing, renovating and equipping of District facilities.

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.

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 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 administration. 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.

Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022

Governmental fund financial statements use the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues available if they are collected within 60 days of the end of the current fiscal period.

Grant revenues and contributions are recorded as revenues when the qualifying expenditures have been incurred and eligibility requirements are met. Grant funds received in advance are recorded as unearned revenue until earned. Contributions received with purpose restrictions are recorded as revenue and the related fund balance is 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 12 and 13 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, negotiable certificates of deposit 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 non-negotiable 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 investment. 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.

**Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022**

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. Right to use leased assets are depreciated/amortized on a straight-line basis over the life of the lease. The following chart lays out the estimated useful lives of each asset classification:

Assets	Years
Buildings	50
Building improvements and improvements other than buildings	6 - 50
Infrastructure	10 - 35
Furniture and equipment	4 - 25
Right to use leased furniture and equipment	4 - 15
Vehicles	8 - 10

Land and construction in progress are not depreciated. See the schedules included in Note 8 for additional detail.

Leases

The District is a lessee for noncancelable leases of equipment. The District recognizes a lease liability and a right-to-use lease asset in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments. The lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease.
- Lease payments included in the measurement of the liability are composed of fixed payments, the purchase option price that the District is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position. See the schedules included in Notes 8 and 9 for additional detail.

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. See the schedules included in Note 10 for additional detail.

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.

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- 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.
- Deferred inflows from leases are adjusted over the life of the lease by the current portion of the principal

See Notes 11 and 12 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.

**Waco Independent School District
Notes to the Financial Statements
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Other Post-employment benefits (OPEB) liability

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

Government-wide net position

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

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

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

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

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

Governmental fund balance classifications and policies

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

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

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

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

**Waco Independent School District
Notes to the Financial Statements
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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.

Waco Independent School District
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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, 2022 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	\$ -	2,246,901
National School Breakfast & Lunch Fund	1,793,199	-
Capital Projects Fund, Series 2022	97,091,282	-
Total encumbrances	<u>\$ 98,884,481</u>	<u>2,246,901</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

Waco Independent School District
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For the Year Ended August 31, 2022

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, 2022, the combined carrying amount of cash, savings and time deposit accounts recorded with the District's depository financial institution was \$25,141,409. The bank's combined balances totaled \$28,615,725. 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 \$250,000

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

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

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

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

For fiscal year 2022, 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, 2022 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.

Waco Independent School District
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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, 2022, the District's governmental activities cash and cash equivalents and investments with respective maturities and credit rating are as follows:

Type of Investment	Book Value	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)	Percent of Total Cash and Investments	Weighted Average Maturity (Days)	Credit Risk
Governmental Funds:					
Cash and cash equivalents:					
Cash on hand	\$ 20,195	\$ -	0.0%	-	
Cash in depository	25,141,409	-	8.8%	-	Not rated**
Certificates of deposit	2,703,000	-	0.9%	219	Not rated**
Insured Cash Shelter, First National Bank of McGregor	10,097,309	-	3.5%	-	Not rated**
Insured Cash Shelter, Landing Rock	11,815,111	-	4.1%	-	Not rated**
Investment pools measured at a amortized cost:					
Lone Star Government Overnight	194,934,855	-	68.0%	6	AAAm*
TexasDAILY	38,325	-	0.0%	23	AAAm*
TexPool	16,863,856	-	5.9%	24	AAAm*
Investments subject to fair value, not subject to level reporting:					
Lone Star Corporate Overnight Plus	1,012,579	-	0.4%	18	AAAf/S1+
Texas Class	4,922,019	-	1.7%	34	AAAm*
Total cash and cash equivalents	267,548,658	-	93.3%		
Investments:					
Investments measured at fair value, subject to level reporting:					
TexasTERM fixed rate, fixed term	19,304,895	19,304,895	6.7%	212	AAAf/AAAkf*
Total investments	19,304,895	19,304,895	6.7%		
Total value	\$ 286,853,553	\$ 19,304,895	100.0%		
Portfolio weighted average maturity				23	
Custodial Funds:					
Cash and cash equivalents:					
Certificates of Deposit, Extraco Bank	\$ 3,648	\$ -	23.8%	144	Not rated**
Certificates of Deposit, First National Bank of McGregor	6,662	-	43.5%	354	Not rated**
Certificates of Deposit, First National Bank of McGregor	5,000	-	32.7%	354	Not rated**
Total value	\$ 15,310	\$ -	100.0%		
Portfolio weighted average maturity				304	

* Standard & Poor's Rating

** FDIC insured

Investment pools are measured at amortized cost or fair value and are exempt from level reporting. Certificates of deposit are measured at cost.

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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 *Texas TERM 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, qualify, liquidity, and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions.

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

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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. With the exception of the Lone Star Corporate Overnight Plus fund and the Texas Term fixed rate, fixed term investments which are rated ‘AAAF’, 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 decrease in the fair value of investments during the year ended August 31, 2022, is included in investment earnings as follows:

Investment earnings	\$ 1,354,348
Net decrease in fair value of investments	<u>(265,358)</u>
Total investment earnings	<u><u>\$ 1,088,990</u></u>

Waco Independent School District
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For the Year Ended August 31, 2022

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	Capital Projects Fund	Non-major Governmental Funds	Total
Property taxes	\$ 72,382,371	\$ -	\$ 15,563,294	\$ -	\$ -	\$ 87,945,665
Other tax related income	770,440	-	166,243	-	-	936,683
SSA revenue from member districts	68,512	-	-	-	1,633,336	1,701,848
Tuition and fees	190,447	-	-	-	1,604,412	1,794,859
Investment income	121,050	3,966	63,905	900,068	-	1,088,989
Rental income	120,235	-	-	-	-	120,235
Gifts and bequests	102,965	-	-	-	418,526	521,491
Insurance recoveries	1,704,719	-	-	18,565,920	-	20,270,639
Food sales	-	442,536	-	-	-	442,536
Extracurricular activities	442,685	-	-	-	67,774	510,459
Other charges for services	1,545,720	2,447	300,503	-	341,434	2,190,104
Other intermediate source revenue	1,000,004	-	-	-	-	1,000,004
	<u>\$ 78,449,148</u>	<u>\$ 448,949</u>	<u>\$ 16,093,945</u>	<u>\$ 19,465,988</u>	<u>\$ 4,065,482</u>	<u>\$ 118,523,512</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, 2021 was \$10,364,676,642. After deductions of all exemptions and reductions provided by law, the 2021 tax levy was based on a net taxable value of \$6,881,467,412.

The tax rates assessed for the year ended August 31, 2022, to finance general fund operations and the payment of principal and interest on long-term debt were \$1.02440 and \$0.22024 per \$100 valuation, respectively, for a total rate of \$1.24464 per \$100 valuation. Property tax revenues are considered available when collected. Current tax collections for the fiscal year ended August 31, 2022, were 98.68% of the adjusted tax levy.

All taxes become delinquent on February 1 of the subsequent year. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based upon historical experience in collecting property taxes. The District has provided an allowance for estimated uncollectible property taxes and estimated adjustments within the general and debt service funds of \$2,167,519 and \$480,335, 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 77% of the remaining levy is not expected to be collected in the subsequent year.

Waco Independent School District
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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	Capital Projects Fund	Non-major Governmental Funds	Total
Property taxes, delinquent	\$2,822,730	\$ -	\$ 623,561	\$ -	\$ -	\$ 3,446,291
Due from other governments						
Federal	12,649	-	-	-	-	12,649
State	67,365	997,545	2,178	-	7,704,343	8,771,431
Other governments	-	-	-	-	70,917	70,917
Accrued interest	109,202	3,195	-	-	-	112,397
Other receivables	134,401	-	-	-	123,079	257,480
Gross receivables	3,146,347	1,000,740	625,739	-	7,898,339	12,671,165
Less: Allowance for uncollectible taxes	<u>(2,167,519)</u>	<u>-</u>	<u>(480,335)</u>	<u>-</u>	<u>-</u>	<u>(2,647,854)</u>
Net receivables	<u>\$ 978,828</u>	<u>\$1,000,740</u>	<u>\$ 145,404</u>	<u>\$ -</u>	<u>\$ 7,898,339</u>	<u>\$ 10,023,311</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 received incurred in the administration of various supplemental education programs.

Receivables in the custodial funds consist of accrued interest of \$155.

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
Other governmental funds	
Payments to fiscal agent received in excess of expenditures	\$ 183,545
Grant funds received prior to meeting eligibility requirements	112,656
Total	<u>\$ 296,201</u>

Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022

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, 2022, consisted of the following:

Funds	Receivable	Payable
General fund	\$ 7,518,477	\$ 6,196,301
National School Breakfast and Lunch fund	1,568,647	-
Other non-major governmental funds	478,793	6,293,987
Debt Service fund	-	3,951
Capital Projects fund	-	1,269,006
Internal Service fund	4,140,630	-
Custodial funds	56,698	-
Total interfund balances	<u>\$13,763,245</u>	<u>\$13,763,245</u>

Operating transfers take place without an equivalent flow of assets back to the transferring fund with no expectation of repayment. In the year ended August 31, 2022, operating transfers were made between the following funds:

Funds	Transfer In	Transfer Out
General fund	\$ -	\$ 545,704
National School Breakfast and Lunch fund	135,985	-
Other non-major governmental funds	554,131	144,412
Total operating transfers	<u>\$ 690,116</u>	<u>\$ 690,116</u>

During the fiscal year ended August 31, 2022, the District made the following one-time transfers:

- Transfer in the amount of \$177,838 from the General Fund to a non-major Special Revenue Fund to cover the operating deficit for the Regional Day School for the Deaf.
- Transfers in the amount of \$148,300 and \$219,566 from the General Fund to a non-major Special Revenue Fund to cover the operating deficits for the Greater Waco Advanced Manufacturing Academy and Health Care Academy, respectively.
- Excess prior years' funds from the non-major Special Revenue Fund Summer Feeding Program in the amount of \$135,985 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.
- Additionally, transfers within the non-major Special Revenue Fund, Campus Activities, totaled \$8,427.

Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022

Note 8. Capital Assets

Capital asset activity for the District for the year ended August 31, 2022 was as follows:

	Balance September 1, 2021	Additions	Retirements	Reclassifications and Transfers	Balance August 31, 2022
<i>Capital assets, not being depreciated:</i>					
Land	\$ 9,310,772	\$ 1,927,500	\$ (20,643)	\$ -	\$ 11,217,629
Construction in progress	6,419,420	23,199,824	-	(11,004,149)	18,615,095
Total capital assets, not being depreciated	<u>15,730,192</u>	<u>25,127,324</u>	<u>(20,643)</u>	<u>(11,004,149)</u>	<u>29,832,724</u>
<i>Capital assets, being depreciated/amortized:</i>					
Buildings and improvements	282,186,671	174,940	(5,548,055)	11,004,149	287,817,705
Furniture, equipment, and vehicles	35,958,811	1,721,531	(75,544)	-	37,604,798
Right-to-use assets, equipment	1,339,520	-	-	-	1,339,520
Total capital assets, being depreciated/amortized	<u>319,485,002</u>	<u>1,896,471</u>	<u>(5,623,599)</u>	<u>11,004,149</u>	<u>326,762,023</u>
Less accumulated depreciation/amortization for:					
Buildings and improvements	(127,810,867)	(5,720,545)	2,536,143	-	(130,995,269)
Furniture, equipment, and vehicles	(27,868,172)	(1,915,900)	58,444	-	(29,725,628)
Right-to-use assets, equipment	-	(307,509)	-	-	(307,509)
Total accumulated depreciation/amortization	<u>(155,679,039)</u>	<u>(7,943,954)</u>	<u>2,594,587</u>	<u>-</u>	<u>(161,028,406)</u>
Total capital assets, being depreciated/amortized, net	<u>163,805,963</u>	<u>(6,047,483)</u>	<u>(3,029,012)</u>	<u>11,004,149</u>	<u>165,733,617</u>
Governmental activities capital assets, net	<u>\$ 179,536,155</u>	<u>\$ 19,079,841</u>	<u>\$ (3,049,655)</u>	<u>\$ -</u>	<u>\$ 195,566,341</u>

Depreciation expense of the governmental activities for the year ended August 31, 2022 was charged to the functions as follows:

Function	Description	Amount
11	Instruction	\$ 4,528,611
12	Instructional resources and media services	166,600
13	Curriculum and instructional staff development	14,721
21	Instructional leadership	103,229
23	School leadership	89,584
31	Guidance, counseling, and evaluation services	38,487
33	Health services	37,704
34	Student transportation services	559,312
35	Food services	598,960
36	Extracurricular activities	809,562
41	General administration	116,088
51	Plant maintenance and operations	310,069
52	Security and monitoring services	114,379
53	Data processing services	426,624
61	Community services	30,024
	Total depreciation expense - governmental activities	<u>\$ 7,943,954</u>

The District has active construction projects as of August 31, 2022. The projects include the construction and equipment of school facilities. At year-end, the District's active commitments with contractors are as follows:

Project	Remaining Commitment
District walk-in cooler and freezer for Child Nutrition Services	\$ 530,702
Waco High School Rebuild	33,212,456
G. W. Carver Replacement	59,378,776
Total	<u>\$ 93,121,934</u>

Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022

Note 9. Right to Use Leased Assets – Adoption of GASB Statement No. 87, Leases

For the year ended August 31, 2022, the financial statements include the adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases (GASB 87). The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

The District has entered into agreements to lease copiers and dark fiber for use in operations throughout the District. The leases qualify as other than short-term leases as defined by GASB 87. Therefore, the District has recorded right-to-use leased assets and a lease liability at an amount equal to the initial measurement of the related lease liability. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

The District has executed various lease agreements for copiers with various maturity dates. Initial assets totaling \$436,898 were recognized. The interest rate on the copiers is based on the District's computed incremental borrowing rate, running between 0.185% and 0.457%, depending on the length of the lease. The leases require monthly fixed payments totaling \$206,424 for the fiscal year ended August 31, 2022.

The District also executed a lease agreement to provide fiber-optic infrastructure through dark fiber, recognizing an initial asset amount of \$902,621. The lease was executed effective August 1, 2020 requiring monthly payment of \$8,850 through July 31, 2030. Lease payments for the fiscal year ended August 31, 2022 totaled \$97,633. The interest rate of 1.095% is based on the computed incremental borrowing rate.

The right-to-use assets are included in the schedule of capital assets activity. The schedule of principal and interest requirements to maturity is as follows:

Year Ended August 31,	Principal	Interest	Total
2023	\$ 270,515	\$ 8,700	\$ 279,215
2024	148,559	7,342	155,901
2025	108,271	6,164	114,435
2026	101,143	5,057	106,200
2027	102,256	3,944	106,200
2028	103,381	2,819	106,200
2029	104,519	1,681	106,200
2030	88,454	531	88,985
	<u>\$ 1,027,098</u>	<u>\$ 36,238</u>	<u>\$ 1,063,336</u>

Note 10. 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 leases 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.

Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022

Changes in long-term liabilities

Long-term liability activity for the year ended August 31, 2022, was as follows:

	Balance September 1, 2021	(Provisions) and Additions	Reductions	Balance August 31, 2022	Due Within One Year
Bonds payable:					
General obligation bonds, par	\$ 133,030,000	\$ 189,500,000	\$ (11,870,000)	\$ 310,660,000	\$ 6,650,000
Premiums	12,627,535	12,202,030	(1,801,496)	23,028,069	-
Accumulated accretion	9,616,813	73,405	-	9,690,218	-
Total bonds payable	<u>155,274,348</u>	<u>201,775,435</u>	<u>(13,671,496)</u>	<u>343,378,287</u>	<u>6,650,000</u>
Leases payable	1,339,519	-	(312,421)	1,027,098	270,515
Net pension liability	50,061,628	169,318	(26,332,582)	23,898,364	-
Other post-employment benefits liability	47,648,616	5,882,820	(6,168,847)	47,362,589	-
Total long-term liabilities	<u>\$ 254,324,111</u>	<u>\$ 207,827,573</u>	<u>\$ (46,485,346)</u>	<u>\$ 415,666,338</u>	<u>\$ 6,920,515</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, serial or term 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 \$310,660,000 in outstanding general obligation bonds and related liabilities comprises debt backed by the full faith of the State of Texas Permanent School Fund.

The following is a summary of changes in the general obligation bonds for the fiscal year:

Series	Interest Rate	Original Issue Amount	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2014 Ref	2.00%-4.00%	8,320,000	2025	\$ 15,000	\$ -	\$ (15,000)	\$ -
2014 (CAB)	2.70%	150,000	2023	150,000	-	-	150,000
2015 Ref	2.00%-5.00%	96,730,000	2038	7,340,000	-	(3,750,000)	3,590,000
2016 Ref	2.00%-5.00%	47,120,000	2038	19,775,000	-	(5,485,000)	14,290,000
2021 Ref	1.44%-5.00%	105,915,000	2038	104,925,000	-	(2,620,000)	102,305,000
2021 (CAB)	0.46%-0.73%	825,000	2025	825,000	-	-	825,000
2022 U/L SBB	0.46%-0.73%	825,000	2025	-	189,500,000	-	189,500,000
Totals -- bonds payable at original par value				<u>133,030,000</u>	<u>189,500,000</u>	<u>(11,870,000)</u>	<u>310,660,000</u>
Deferred amounts:							
For issuance premiums				12,627,535	12,202,030	(1,801,496)	23,028,069
For accreted interest				9,616,812	73,405	-	9,690,217
Totals -- bonds payable				<u>\$ 155,274,347</u>	<u>\$ 201,775,435</u>	<u>\$ (13,671,496)</u>	<u>\$ 343,378,286</u>

In March 2022, the District issued \$189,500,000 of fixed rate Series 2022 Unlimited Tax School Building Bonds. The proceeds of the tax school building bonds are to be used to construct, improve, renovate and equip school buildings.

In February 2022, the District determined that it had sufficient funds in the Interest and Sinking Fund established for the Bonds to fully redeem and defease \$1.5 million in par value serial bonds maturing August 2030 of the Unlimited Tax Refunding Bonds, Series 2016. The payment was deposited into an irrevocable escrow account to provide for future principal and interest on the bonds which will be paid in August 2026. The defeasance resulted in aggregate debt service cash flow savings of \$288,374.

Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022

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>22,940,000</u>
Total	<u><u>\$108,240,000</u></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
2023	\$ 6,650,000	\$ 13,721,048	\$ 20,371,048
2024	2,845,000	14,128,530	16,973,530
2025	3,230,000	14,233,529	17,463,529
2026	8,365,000	9,498,279	17,863,279
2027	8,790,000	9,098,679	17,888,679
2028-2032	48,370,000	39,017,956	87,387,956
2033-2037	54,500,000	32,659,106	87,159,106
2038-2042	51,135,000	26,606,221	77,741,221
2043-2047	57,890,000	17,315,213	75,205,213
2048-2052	<u>68,885,000</u>	<u>6,321,600</u>	<u>75,206,600</u>
	<u><u>\$ 310,660,000</u></u>	<u><u>\$ 182,600,161</u></u>	<u><u>\$ 493,260,161</u></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, 2022.

Series	Amount Due at Maturity	Amount Received at Issue	Total to be Accreted	Balance September 1, 2021	Current Year Accretion	Additions / Maturities	Balance August 31, 2022
UTRB, Series 2014	\$ 365,000	\$ 150,000	\$ 215,000	\$ 195,937	\$ 9,404	\$ -	\$ 205,341
UTRB, Series 2021	10,470,000	825,000	9,645,000	9,420,875	64,001	-	9,484,876
Total	<u>\$ 10,835,000</u>	<u>\$ 975,000</u>	<u>\$ 9,860,000</u>	<u>\$ 9,616,812</u>	<u>\$ 73,405</u>	<u>\$ -</u>	<u>\$ 9,690,217</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2022. 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 2022 tax year was \$0.22024.

As of August 31, 2022 the District had \$155 million in authorized but unissued bonds remaining from the November 2, 2021 bond election.

**Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022**

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. As of August 31, 2022, there was no arbitrage rebate liability on the issued bonds.

Note 11. Pension obligations under defined benefit retirement plan

Plan description

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

Pension plan fiduciary net position

Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements, notes, and required supplementary information. The report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/aboutpublications.aspx>; by writing to TRS at: 1000 Red River Street, Austin, Texas 78701-2698 or by calling (512) 542-6592.

Benefits provided

TRS provides service and disability retirement as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 year of credited service or when the sum of the member’s age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member’s age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on the date of employment, or if the member was grandfather under the previous rule. There are no automatic post-employment benefit changes; including automatic cost-of-living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the above Plan description.

**Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022**

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System’s actuary.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code section 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

The following table shows contributions to the Plan by type of contributor for the fiscal years 2020 through 2022.

	Contribution Rates		
	2022	2021	2020
Member	8.00%	7.70%	7.70%
Non-Employer Contributing Entity (State)	7.75%	7.50%	7.50%
Employers (District)	7.75%	7.50%	7.50%
Employers (District) - Non-OASDI)*	1.70%	1.60%	1.50%

**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 2022 are as follows:

Employer Contributions	\$ 4,658,014
Member Contributions	9,005,172
Non-Employer Contributing Entity On-Behalf Contributions (State)	5,741,648

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

**Waco Independent School District
Notes to the Financial Statements
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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 was determined by using the following actuarial assumptions:

Valuation date	August 31, 2020, rolled forward to August 31, 2021
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Fair Value
Single discount rate	7.25%
Long-term expected rate	7.25%
Municipal bond rate	1.95%*
Last year ending August 31 in projection period (100 years)	2120
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, 2020. For a full description of these assumptions, please see the actuarial valuation report dated November 9, 2020.

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 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

Waco Independent School District
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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, 2021 (see page 53 of the TRS ACFR) are summarized as follows:

Asset Class ¹	Target Allocation Percent ²	Long-term Expected Geometric Real Rate of Return ³	Expected Contribution to Long-term Portfolio Returns
Global Equity			
USA	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.60%	0.74%
Private Equity	14.00%	6.30%	1.36%
Stable Value			
Government Bonds	16.00%	-0.20%	0.01%
Absolute Return	0.00%	1.10%	0.00%
Stable Value Hedge Funds	5.00%	2.20%	0.12%
Real Return			
Real Estate	15.00%	4.50%	1.00%
Energy, Natural Resources, and Infrastructure	6.00%	4.70%	0.35%
Commodities	0.00%	1.70%	0.00%
Risk Parity			
Asset Allocation Leverage			
Cash	2.00%	-0.70%	-0.01%
Asset Allocation Leverage	-6.00%	-0.50%	0.03%
Inflation Expectation			
Volatility Drag⁴			
		100.00%	6.90%

¹ Absolute Return includes credit sensitive investments.

² Target allocations are based on the FY 2021 policy model.

³ Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021).

⁴ The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount rate sensitivity analysis

The following schedule presents the Net Pension Liability of the plan using the discount rate of 7.25%, and what the net pension liability would be, using the District's proportionate share of the respective net pension liability, if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease in Discount Rate 6.25%	Current Single Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
Sensitivity of the Net Pension Liability to the Single Discount Rate Assumptions	\$ 52,221,718	\$ 23,898,364	\$ 919,526

Changes in assumptions since the prior measurement date

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

Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022

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

At August 31, 2022, the District reported a liability of \$23,898,364 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	\$ 23,898,364
State's proportionate share of the net pension liability associated with the District	<u>33,063,323</u>
Total	<u>\$ 56,961,687</u>

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020 through August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.0938424992% which was an increase of 0.0003706265% from its proportion measured as of August 31, 2020. For the year ended August 31, 2022, the District recognized pension expense of \$2,729,697 and revenue of \$132,183 for support provided by the State.

At August 31, 2022, 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	\$ 39,993	\$ 1,682,464
Changes in assumptions	8,447,605	3,682,431
Difference between projected and actual investment earnings	-	20,038,468
Changes in proportion and differences between district contributions and the proportionate share of contributions (cost-sharing plan)	733,554	1,109,950
District contributions paid subsequent to the measurement date	<u>4,658,014</u>	-
Total	<u>\$13,879,166</u>	<u>\$26,513,313</u>

The \$4,658,014 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, 2023.

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

Year ended August 31,	Pension Expense Amount
2023	\$ (3,020,270)
2024	(3,274,479)
2025	(4,864,885)
2026	(5,960,235)
2027	(134,833)
Thereafter	<u>(37,459)</u>
Total	<u>\$ (17,292,161)</u>

Note 12. Defined other post-employment benefit plan

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. 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 Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

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.texas.gov/Pages/about_publications.aspx; 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. There are no automatic post-employment benefit changes; including automatic COLAs.

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

	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 or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
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 2022 are as follows:

District (employer) contributions	\$ 1,066,035
Member (employee) contributions	731,662
State on-behalf contributions (Non-employer contributing entity)	1,244,126
State on-behalf contributions - Medicare Part D	470,259

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 \$5.5 million for fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Updated procedures were used to roll forward the total OPEB liability to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions.

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. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

<u>Demographic Assumptions</u>	<u>Economic Assumptions</u>
• Rates of Mortality	• General Inflation
• Rates of Retirement	• Wage Inflation
• Rates of Termination	• Salary Increases
• Rates of Disability	

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. 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 mortality projection scale MP-2018.

Participation rates for normal retirement are 65% prior to age 65 and 40% after age 65. 25% of Pre-65 retirees are assumed to discontinue coverage at age 65.

The initial medical trend rate were 8.50% for Medicare retirees and 7.10% for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.

**Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022**

Additional Actuarial Methods and Assumptions

Valuation date	August 31, 2020, rolled forward to August 31, 2021
Actuarial cost method	Individual entry age normal
Single discount rate	1.95% as of August 31, 2021
Inflation	2.30%
Aging factors	Based on plan specific experience
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
Ad hoc post-employment benefit changes	None

Discount rate

A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2021 using the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Sensitivity of the net OPEB liability to the Single Discount Rate Assumption

The following schedule show the impact of the net OPEB liability if the discount rate used was one-percentage point lower than, 0.95%, or one-percentage point higher than, 2.95%, the rate that was used (1.95%) in measuring the net OPEB liability.

1% Decrease 0.95%	Current Single Discount Rate 1.95%	1% Increase 2.95%
\$ 57,130,196	\$ 47,362,589	\$ 39,675,165

Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumption

The following schedule shows 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:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 38,362,128	\$ 47,362,589	\$ 59,438,973

**Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022**

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 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased 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, 2022, the District reported a liability of \$47,362,589 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	\$ 47,362,589
State's proportionate share of the net OPEB liability associated with the District	<u>63,455,314</u>
Total	<u><u>\$ 110,817,903</u></u>

The net OPEB liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020 through August 31, 2021.

At August 31, 2021, the employer's proportion of the collective net OPEB liability was 0.1227822208% which was a decrease of 0.0025609927% from its proportion measured as of August 31, 2020.

For the year ended August 31, 2022, the District recognized a total OPEB expense of (\$4,638,900) which includes the on-behalf portion of (\$2,341,986) from the State.

At August 31, 2022, 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	\$ 2,039,184	\$ 22,926,807
Changes of assumptions	5,245,963	10,016,311
Difference between projected and actual earnings on OPEB investments	51,421	-
Changes in proportion and differences between district contributions and proportionate share of contributions	1,059,190	4,951,669
District contributions subsequent to measurement date	<u>1,066,035</u>	<u>-</u>
Totals	<u><u>\$ 9,461,793</u></u>	<u><u>\$ 37,894,787</u></u>

**Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022**

\$1,066,035 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, 2023. 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
2023	\$ (5,705,914)
2024	(5,707,074)
2025	(5,706,756)
2026	(4,460,051)
2027	(2,772,225)
Thereafter	(5,147,009)
Total	<u>\$ (29,499,029)</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, 2022, 2021, and 2020, the subsidy payments received by TRS-Care on behalf of the District were \$470,259, \$478,968, and \$506,960, respectively. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity.

Note 13. 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 14. 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.

Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022

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 2022 plan year, the District contributed \$428 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 \$675,169 in medical claims and \$46,396 in prescription drugs. The following is a reconciliation of changes in the aggregate liabilities for claims for the year ended August 31, 2022:

	<u>2022</u>	<u>2021</u>
Beginning of the year liability	\$ 650,318	\$ 613,089
Current year claims, including changes in estimates	12,250,741	10,687,136
Claims payments	<u>(12,179,494)</u>	<u>(10,649,907)</u>
End of the year liability	<u>\$ 721,565</u>	<u>\$ 650,318</u>

Workers' compensation

During the year ended August 31, 2022, 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, 2021, the Fund carries a discounted reserve of \$44,985,187 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2022, 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, 2021, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance.

For the 2021-2022 plan year, the excess coverage insurance policy covers any claim in excess of \$671,190. The Fund performs an evaluation of workers' compensation claims submitted incidents occurring prior to August 31, 2022, and has projected open claims and incurred but not reported claims for all years will cost \$300,617. The District has not significantly reduced insurance coverage during the past three years or had settlements which exceeded coverage.

**Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022**

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

	2022	2021
Beginning of the year liability	\$ 167,713	\$ 189,831
Current year claims, including changes in estimates	336,364	145,058
Claims payments	(203,460)	(167,176)
End of the year liability	\$ 300,617	\$ 167,713

Auto liability, general liability, and legal liability

During the year ended August 31, 2022, 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, 2022, 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, 2021, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance.

Note 15. 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:

Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022

Member District	Percent of Students	Allocated Expenditures 446
Axtell	0.44%	\$ 3,436
Bosqueville	0.02%	156
Bruceville-Eddy	0.94%	7,340
China Spring	1.29%	10,072
Connally	6.00%	46,849
Crawford	0.11%	859
Gholson	0.02%	156
La Vega	2.79%	21,785
Lorena	0.30%	2,342
Mart	0.02%	156
McGregor	0.16%	1,249
Midway	1.75%	13,664
Moody	0.87%	6,793
Robinson	9.63%	75,191
Valley Mills	0.01%	78
Waco	74.10%	578,583
West	1.55%	12,103
Total	<u>100.00%</u>	<u>\$ 780,812</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:

Member District	Percent of Students	Allocated Expenditures 315	Allocated Expenditures 435	Allocated Expenditures 458
Axtell	3.78%	\$ 1,509	\$ 6,626	\$ 28,250
Chilton	1.89%	755	3,313	14,125
Connally	2.83%	1,130	4,961	21,150
Marlin	2.83%	1,130	4,961	21,150
Mart	0.94%	375	1,648	7,025
McGregor	5.66%	2,260	9,922	42,300
Midway	16.98%	6,780	29,765	126,901
Riesel	3.78%	1,509	6,626	28,250
Robinson	2.83%	1,130	4,961	21,150
Rosebud-Lott	0.94%	375	1,648	7,025
Waco	54.72%	21,851	95,920	408,953
Waco Charter School	0.94%	375	1,648	7,025
West	0.94%	375	1,648	7,025
Westphalia	0.94%	375	1,648	7,025
Total	<u>100.00%</u>	<u>\$ 39,929</u>	<u>\$ 175,295</u>	<u>\$ 747,354</u>

Note 16. 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, 2022, 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, 2022, the District was party to construction contracts totaling \$107.6 million with a remaining commitment of \$93.1 million including retainage of \$314,048.

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 was 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 would provide \$2,400,004 in funding for the replacement facility base design along with acceptance of the cost to demolish the old stadium and would lease the existing Paul Tyson Complex and practice soccer field back to the District for the rent of \$1.00 per year. The lease terminated 60 days after the replacement facility reached substantial completion. The Board of Trustees approved substantial completion of the project on August 25, 2022. Additionally, the agreement included a Caveat, that, if the City did 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. At this point, all land transactions agreed upon have been completed.

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. On April 14, 2022, the District received a payment of \$151,218 for additional work completed. Due to supply chain issues resulting from the pandemic, repairs on the damaged units will not be completed until the 2023 fiscal year.
- On February 16, 2021, the District experienced damages, primarily from flooding due to burst pipes, during a major winter storm. The original estimated loss in property damage, contents, and mitigation was \$1,817,251 with a deductible of \$100,000. On May 7, 2021, the District received payments totaling \$544,007. An additional payment of \$330,703 was received on May 26, 2022. Final repairs have been completed.

Waco Independent School District
Notes to the Financial Statements
For the Year Ended August 31, 2022

- 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. The campus was scheduled to be rebuilt as part of the bond election approved by voters on November 2, 2021. 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, were removed from the District's capital assets in fiscal year 2021. The remaining buildings were demolished in January 2022 and removed from capital assets in fiscal year 2022. Insurance proceeds totaling \$19.8 million were received on March 8, 2022, and will be used, along with bond proceeds, in rebuilding the campus and reimbursing the District for costs associated in accommodating the campus population at another site.

Note 17. COVID-19

In March 13 2020, the President of the United States declared the outbreak of COVID-19 a national emergency. Following that declaration, the Governor of Texas declared a state of disaster for all counties in Texas. Subsequently, both the federal and state governments provided financial relief to school districts in Texas.

The District received federal funding through a number of legislative appropriations:

- Coronavirus Relief Fund (CRF)
- ESSER I, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020
- ESSER II, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA)
- ESSER III, the American Rescue Plan (ARP) Act

The Texas Education Agency held districts harmless for the impact of lower attendance for the first four six weeks during fiscal year 2021-2022 based on the first four six weeks attendance rate from 2019-2020.

Note 18. Subsequent events

On September 28, 2022 the District issued \$72.9 million in Unlimited Tax School Building Bonds, Series 2022B. The issue is the second of three planned issues of \$355.0 million in bonds authorized by voters on November 2, 2021, for the rebuild of four schools and renovations and additions to a fifth. Additional contract awards have been executed for approved projects:

- On September 29, 2022 the Board of Trustees approved the Guaranteed Maximum Price of \$109.2 million for the second phase of construction for the Waco High School rebuild.
- On November 17, 2022 the Board of Trustees approved the award of a contract for \$67 million for the Tennyson Middle School rebuild.

Required Supplementary Information

Waco Independent School District

Exhibit G-1

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

General Fund

For the Year Ended August 31, 2022

Data Control Codes		Budgeted Amounts		Actual	Variations
		Original	Final	Amounts (GAAP Basis)	With Final Budget
Revenues					
5700	Local and intermediate sources	\$ 75,266,353	\$ 78,991,743	\$ 78,449,148	\$ (542,595)
5800	State program revenues	85,574,609	86,089,931	80,837,451	(5,252,480)
5900	Federal program revenues	3,908,900	3,908,900	5,440,229	1,531,329
5020	Total revenues	<u>164,749,862</u>	<u>168,990,574</u>	<u>164,726,828</u>	<u>(4,263,746)</u>
Expenditures					
Current:					
0011	Instruction	89,278,274	90,906,020	83,819,415	7,086,605
0012	Instructional resources and media services	963,609	1,058,506	923,496	135,010
0013	Curriculum and instructional staff development	4,526,701	4,599,512	3,913,528	685,984
0021	Instructional leadership	3,619,018	3,794,779	3,575,977	218,802
0023	School leadership	10,130,698	10,256,703	9,979,218	277,485
0031	Guidance, counseling, and evaluation services	5,451,254	5,237,651	5,332,994	(95,343)
0032	Social work services	897,678	951,889	733,384	218,505
0033	Health services	1,562,518	1,562,007	1,428,087	133,920
0034	Student transportation services	3,789,590	4,487,668	2,612,824	1,874,844
0035	Food Services	-	42,445	38,290	4,155
0036	Extracurricular activities	5,408,768	5,727,922	5,527,694	200,228
0041	General administration	6,838,759	7,083,249	6,203,810	879,439
0051	Plant maintenance and operations	17,091,637	21,141,175	17,509,676	3,631,499
0052	Security and monitoring services	2,652,597	2,900,953	2,617,442	283,511
0053	Data processing services	3,876,226	4,606,678	3,543,294	1,063,384
0061	Community services	528,187	684,794	587,946	96,848
Debt service:					
0071	Principal on long-term debt	-	282,199	312,422	(30,223)
0072	Interest on long-term debt	-	32,408	9,383	23,025
Capital outlay:					
0081	Facilities acquisition and construction	40,183	6,373,856	5,218,328	1,155,528
Intergovernmental:					
0093	Payments to fiscal agent/member districts of shared services arrangements	345,000	345,000	290,000	55,000
0095	Payments to Juvenile Justice Alternative Education Program	700,000	700,000	601,643	98,357
0097	Payments to tax increment fund	6,533,499	8,133,499	6,969,754	1,163,745
0099	Other intergovernmental charges	820,288	820,288	721,825	98,463
6030	Total expenditures	<u>165,054,484</u>	<u>181,729,201</u>	<u>162,470,430</u>	<u>19,258,771</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(304,622)</u>	<u>(12,738,627)</u>	<u>2,256,398</u>	<u>14,995,025</u>
Other Financing Sources (Uses)					
7913	Right-to-use leases	-	1,231,975	-	(1,231,975)
8911	Transfers out	(689,443)	(689,443)	(545,704)	143,739
	Total other financing sources (uses)	<u>(689,443)</u>	<u>542,532</u>	<u>(545,704)</u>	<u>(1,088,236)</u>
1200	Net change in fund balance	(994,065)	(12,196,095)	1,710,694	13,906,789
0100	Fund balance, beginning	41,078,214	53,543,235	53,543,235	-
3000	Fund balance, ending	<u>\$ 40,084,149</u>	<u>\$ 41,347,140</u>	<u>\$ 55,253,929</u>	<u>\$ 13,906,789</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, 2022**

Data Control Codes		Budgeted Amounts		Actual	Variances
		Original	Final	Amounts (GAAP Basis)	With Final Budget
Revenues					
5700	Local and intermediate sources	\$ 427,900	\$ 427,900	\$ 448,949	\$ 21,049
5900	Federal program revenues	9,141,280	9,641,515	11,119,936	1,478,421
5020	Total revenues	<u>9,569,180</u>	<u>10,069,415</u>	<u>11,568,885</u>	<u>1,499,470</u>
Expenditures					
Current:					
0035	Food services	<u>10,968,269</u>	<u>13,819,886</u>	<u>10,727,075</u>	<u>3,092,811</u>
6030	Total expenditures	<u>10,968,269</u>	<u>13,819,886</u>	<u>10,727,075</u>	<u>3,092,811</u>
1100	Excess (Deficiency) of revenues over (under) expenditures	<u>(1,399,089)</u>	<u>(3,750,471)</u>	<u>841,810</u>	<u>4,592,281</u>
Other Financing Sources					
7915	Transfers in	<u>-</u>	<u>-</u>	<u>135,985</u>	<u>135,985</u>
	Total other financing sources	<u>-</u>	<u>-</u>	<u>135,985</u>	<u>135,985</u>
1200	Net change in fund balance	<u>(1,399,089)</u>	<u>(3,750,471)</u>	<u>977,795</u>	<u>4,728,266</u>
0100	Fund balance, beginning	<u>1,359,058</u>	<u>4,698,491</u>	<u>4,698,491</u>	<u>-</u>
3000	Fund balance, ending	<u>\$ (40,031)</u>	<u>\$ 948,020</u>	<u>\$ 5,676,286</u>	<u>\$ 4,728,266</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, 2022

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. 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 2022, final General Fund appropriations reflect a net increase of \$16.7 million while revenue reflects an increase of \$4.2 million. Throughout the year, budgeted appropriations were increased to include the following major appropriations: \$7.3 million for the re-appropriation of budgets for purchase orders from fiscal year 2021; \$6.3 million for funds, previously committed by the Board of Trustees, for fees related to the rebuild of Waco High School and the infrastructure for a walk-in cooler and freezer, bus replacements, and major maintenance projects; \$2.1 million for funds committed for the mitigation, repair, and replacement of items lost due to hail, winter storm, and fire damages; and \$4.1 million to cover design services for the rebuild of G. W. Carver Middle School as well as additional funding required for previously mentioned projects. Mid-year, budgeted appropriations were decreased by \$8.3 million since funds set aside for construction were able to be covered through voter approved bonds. The Board of Trustees had adopted a resolution to reimburse the General Fund for these costs if the proposed bond election was successful.

Increases in revenue estimates included \$2.2 million in insurance recoveries and \$2.0 million in increased revenue from the Tax Increment Financing Zone. These increases were offset by increases in appropriations.

During fiscal year 2022, National School Breakfast and Lunch Fund appropriations were increased by \$2.8 million. Budgeted appropriations increased for the re-appropriation of budgets for equipment and vehicle purchases, which were not received at August 31, 2021, and the equipment for the cooler-freezer project.

Expenditures in function 31, Guidance, Counseling and Evaluation Services, exceeded budgeted appropriations by \$95,343 due to overruns in salary costs in IDEA, Part B. Expenditures in all other functions were within budgeted amounts. Function 71, Principal on Long-term Debt, exceeded budgeted amounts by \$30,223 due to an error in the original calculation of the impact of implementing GASB 87, Leases.

Waco Independent School District
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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.0938425%	0.0934719%	0.0935623%	0.0918944%	0.0996227%
District's proportionate share of the net pension liability	\$ 23,898,364	\$ 50,061,628	\$ 48,636,619	\$ 50,580,910	\$ 31,853,985
State's proportionate share of the net pension liability associated with the District	<u>33,063,323</u>	<u>70,992,607</u>	<u>67,003,759</u>	<u>76,045,664</u>	<u>44,581,627</u>
Total	<u>\$ 56,961,687</u>	<u>\$ 121,054,235</u>	<u>\$ 115,640,378</u>	<u>\$ 126,626,574</u>	<u>\$ 76,435,612</u>
District's covered payroll	\$ 107,476,297	\$ 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	22.24%	47.32%	49.61%	52.18%	33.11%
Plan fiduciary net position as a percentage of the total pension liability	88.79%	75.54%	75.24%	73.74%	82.17%

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.

<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0982921%	0.1010318%	0.0531259%
\$ 37,143,113	\$ 35,713,397	\$ 14,190,662
<u>51,722,852</u>	<u>45,090,294</u>	<u>42,706,018</u>
<u>\$ 88,865,965</u>	<u>\$ 80,803,691</u>	<u>\$ 56,896,680</u>
\$ 91,012,010	\$ 83,034,215	\$ 78,027,228
40.81%	43.01%	18.19%
78.00%	78.43%	83.25%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 4,658,014	\$ 4,008,686	\$ 3,850,936	\$ 3,237,191	\$ 3,128,330
Contribution in relation to the contractually required contribution	<u>4,658,014</u>	<u>4,008,686</u>	<u>3,850,936</u>	<u>3,237,191</u>	<u>3,128,330</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 112,564,532	\$ 107,476,297	\$ 105,792,769	\$ 98,033,516	\$ 96,935,706
Contributions as a percentage of covered payroll	4.14%	3.73%	3.64%	3.30%	3.23%

Ten years of data is not available. Additional information will be added until ten years of data are available and reported.

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 3,256,599	\$ 3,122,988	\$ 2,991,594
<u>3,256,599</u>	<u>3,122,988</u>	<u>2,991,594</u>
\$ -	\$ -	\$ -
<u>\$ 96,218,234</u>	<u>\$ 91,012,010</u>	<u>\$ 83,034,215</u>
3.38%	3.43%	3.60%

Waco Independent School District

Exhibit G-5

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net Other Post Employment Benefits (OPEB) Liability

of a Cost-Sharing Multiple-Employer OPEB Plan

Teacher Retirement System of Texas (TRS)

For the Years Ended August 31*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net other post-employment benefits (OPEB) liability	0.1227822%	0.1253432%	0.1231808%	0.1243990%	0.1332423%
District's proportionate share of the net OPEB liability	\$ 47,362,589	\$ 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>63,455,314</u>	<u>64,028,318</u>	<u>77,406,176</u>	<u>80,233,292</u>	<u>70,108,100</u>
Total	<u>\$ 110,817,903</u>	<u>\$ 111,676,934</u>	<u>\$ 135,659,905</u>	<u>\$ 142,346,830</u>	<u>\$ 128,050,161</u>
District's covered payroll	\$ 107,476,297	\$ 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	44.07%	45.04%	59.42%	64.08%	60.22%
Plan fiduciary net position as a percentage of the total OPEB liability	6.18%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,066,035	\$ 959,412	\$ 951,363	\$ 867,726	\$ 829,665
Contribution in relation to the contractually required contribution	<u>1,066,035</u>	<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>	<u>\$ -</u>
District's covered payroll	\$ 112,564,532	\$ 107,476,297	\$ 105,792,769	\$ 98,033,516	\$ 96,935,706
Contributions as a percentage of covered payroll	0.95%	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 Liability
	Discount Rate	Long-Term Expected Rate of Return	Discount Rate
2021	7.250%	7.250%	1.950%
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

Net pension liability:

2022 - Demographic and economic assumptions were updated based on experience study performed for TRS for the period ending August 31, 2021.

Net pension and net OPEB liability:

2018 - Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement and economic assumptions, including rates of salary increase for individual participants were updated based on the experience study performed for TRS for the period ending August 31, 2017.

Changes in benefit terms

Net OPEB liability:

2018 - Changes of benefit terms were made effective September 1, 2017 by the 85th Texas Legislature.

2017 - Effective January 1, 2018, only one health plan option would be offered and all retirees will be required to contribute monthly premiums for coverage.

Other Changes

Net pension liability:

2021 - The public education employer contribution rate change from 1.5% in 2020 to 1.6% in 2021

2020 - The state and employer contribution rate changed from 6.8% to 7.5%. The 1.5% public education employer contribution applied to just employers whose employees were not covered by OASDI in 2019 and it changed in 2020 to apply to all public schools, charter schools and regional education centers irrespective of participation in OASDI.

2019 - 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.

Net OPEB liability:

- 2022 - Change to lower participation rates and update health care trend assumptions.
- 2020 – Change to lower the participation rate assumption for employees who retire after the age of 65 and lower the ultimate health care trend assumption to reflect the repeal of the excise tax on high-cost employer health plans.
- 2019 – Change to lower participation rates and update health care trend assumptions.
- 2018 – Change to update health care trend assumptions.
- 2017 – Change to remove phase out assumption assuming Medicare Part D reimbursements will continue.

Combining and Other Statements

Non-major Governmental Funds

Special Revenue Funds

Special Revenue Funds are governmental funds used to account for specific revenue sources which are legally restricted to expenditures for specified purposes. 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.

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.

American Rescue Plan Elementary and Secondary School Emergency Relief (ESSER III) Fund – Homeless children and Youth (ARP-HCY) (Fund 278)

This fund is used to account for federal stimulus ESSER funds granted to LEAs through the American Rescue Plan Act to identify homeless children and youth, to provide homeless children and youth with wrap-around services to address the challenges of COVID-19, and to enable homeless children and youth to attend school and fully participate in school activities.

Texas COVID Learning Acceleration Supports (TCLAS) – State Elementary and Secondary School Emergency Relief Fund III (ESSER III) of the American Rescue Plan (ARP) Act of 2021 (Fund 279)

This fund is used to account for funds granted for targeted supports to assist school districts to accelerate student learning due to learning loss caused by the COVID-19 pandemic.

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.

IDEA – Part B, Formula – American Rescue Plan Act of 2021 (Fund 284)

This fund is used to account for federal stimulus funds granted under the ARP Act to operate educational programs for children with disabilities.

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.

Waco Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2022

<u>Data Control Codes</u>	206	211	224
	ESSA, Title X, Part C - Education of Homeless Children and Youth	ESSA, Title I, Part A - Improving Basic Programs	IDEA, Part B Formula
Assets			
1110 Cash and cash equivalents	\$ -	\$ -	\$ -
1240 Receivables from other governments	16,650	1,738,038	158,952
1260 Due from other funds	-	-	48,466
1290 Other receivables	-	-	-
Total assets	<u>\$ 16,650</u>	<u>\$ 1,738,038</u>	<u>\$ 207,418</u>
Liabilities			
2110 Accounts payable	\$ -	\$ 257,198	\$ 66,455
2120 Other current liabilities	-	-	-
2160 Accrued wages payable	3,407	203,937	140,963
2170 Due to other funds	12,962	1,275,606	-
2180 Due to other governments	281	1,297	-
2300 Unearned revenues	-	-	-
Total liabilities	<u>16,650</u>	<u>1,738,038</u>	<u>207,418</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>\$ 16,650</u>	<u>\$ 1,738,038</u>	<u>\$ 207,418</u>

225	242	244	255	263	266
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	ESSER I Coronavirus Aid, Relief, & Economic Security CARES Act
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,872	-	95,301	64,882	123,794	16,235
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,872</u>	<u>\$ -</u>	<u>\$ 95,301</u>	<u>\$ 64,882</u>	<u>\$ 123,794</u>	<u>\$ 16,235</u>
\$ 1,297	-	-	6,705	1,258	-
-	-	-	-	-	-
-	-	4,525	1,952	6,617	-
1,575	-	88,703	56,225	115,919	16,235
-	-	2,073	-	-	-
-	-	-	-	-	-
<u>2,872</u>	<u>-</u>	<u>95,301</u>	<u>64,882</u>	<u>123,794</u>	<u>16,235</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,872</u>	<u>\$ -</u>	<u>\$ 95,301</u>	<u>\$ 64,882</u>	<u>\$ 123,794</u>	<u>\$ 16,235</u>

Waco Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2022

<u>Data Control Codes</u>	<u>276</u>	<u>278</u>	<u>279</u>
	<u>ESSA, Title I, School Improvement Program Academy Grant</u>	<u>ESSER III, American Rescue Plan Act of 2021 - Homeless Children & Youth</u>	<u>ESSER III, Texas COVID Learning Acceleration Supports (TCLAS)</u>
Assets			
1110 Cash and cash equivalents	\$ -	\$ -	\$ -
1240 Receivables from other governments	-	21,682	1,183
1260 Due from other funds	171	-	-
1290 Other receivables	-	-	-
Total assets	<u>\$ 171</u>	<u>\$ 21,682</u>	<u>\$ 1,183</u>
Liabilities			
2110 Accounts payable	\$ -	\$ 443	\$ -
2120 Other current liabilities	-	-	-
2160 Accrued wages payable	-	-	1,070
2170 Due to other funds	-	21,239	113
2180 Due to other governments	171	-	-
2300 Unearned revenues	-	-	-
Total liabilities	<u>171</u>	<u>21,682</u>	<u>1,183</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>\$ 171</u>	<u>\$ 21,682</u>	<u>\$ 1,183</u>

281	282	284	289	315	397
ESSER II Coronavirus Response & Relief Supplemental Appropriations	ESSER III, American Rescue Plan Act of 2021	ESSER III, American Rescue Plan Act of 2021- IDEA -- Part B, Formula	Other Federally Funded Special Revenue Funds	Shared Services Arrangements - IDEA, Part B, Discretionary	Advanced Placement Incentives
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,102,468	2,924,991	142,956	81,959	25,021	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,102,468</u>	<u>\$ 2,924,991</u>	<u>\$ 142,956</u>	<u>\$ 81,959</u>	<u>\$ 25,021</u>	<u>\$ -</u>
\$ 327,720	\$ 238,733	\$ -	\$ 3,301	\$ -	\$ -
-	-	-	-	-	-
78,553	197,425	3,125	5,040	4,517	-
1,696,195	2,488,833	139,831	69,834	20,504	-
-	-	-	3,784	-	-
-	-	-	-	-	-
<u>2,102,468</u>	<u>2,924,991</u>	<u>142,956</u>	<u>81,959</u>	<u>25,021</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,102,468</u>	<u>\$ 2,924,991</u>	<u>\$ 142,956</u>	<u>\$ 81,959</u>	<u>\$ 25,021</u>	<u>\$ -</u>

Waco Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2022

Data Control Codes	410	427	429	
	State Instructional Materials Fund	Texas Workforce Commission Apprenticeship Training	Other State Funded Special Revenue Funds	
Assets				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1240	Receivables from other governments	2,308	-	68,747
1260	Due from other funds	-	20,789	-
1290	Other receivables	-	-	-
	Total assets	<u>\$ 2,308</u>	<u>\$ 20,789</u>	<u>\$ 68,747</u>
Liabilities				
2110	Accounts payable	\$ -	\$ 149	\$ -
2120	Other current liabilities	-	-	-
2160	Accrued wages payable	-	-	2,213
2170	Due to other funds	2,308	-	66,534
2180	Due to other governments	-	165	-
2300	Unearned revenues	-	-	-
	Total liabilities	<u>2,308</u>	<u>314</u>	<u>68,747</u>
Fund Balances				
Committed fund balance:				
3545	Other committed fund balance	-	20,475	-
3600	Unassigned fund balance	-	-	-
3000	Total fund balances	<u>-</u>	<u>20,475</u>	<u>-</u>
4000	Total liabilities and fund balances	<u>\$ 2,308</u>	<u>\$ 20,789</u>	<u>\$ 68,747</u>

435	446	458	461	487	492
Shared Services Arrangements - Regional Day School for the Deaf	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
\$ -	\$ -	\$ -	\$ 674,954	\$ -	\$ -
116,306	70,915	-	-	-	-
-	148,197	34,550	-	-	17,177
-	-	-	-	91,134	6,298
<u>\$ 116,306</u>	<u>\$ 219,112</u>	<u>\$ 34,550</u>	<u>\$ 674,954</u>	<u>\$ 91,134</u>	<u>\$ 23,475</u>
\$ 1,671	\$ 312	\$ 37	\$ 10,116	\$ 745	\$ 19,435
-	-	-	73	-	-
10,700	35,255	34,513	644	-	4,040
103,935	-	-	27,578	89,858	-
-	-	-	-	531	-
-	183,545	-	-	-	-
<u>116,306</u>	<u>219,112</u>	<u>34,550</u>	<u>38,411</u>	<u>91,134</u>	<u>23,475</u>
-	-	-	636,543	-	-
-	-	-	-	-	-
-	-	-	636,543	-	-
<u>\$ 116,306</u>	<u>\$ 219,112</u>	<u>\$ 34,550</u>	<u>\$ 674,954</u>	<u>\$ 91,134</u>	<u>\$ 23,475</u>

Waco Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds
August 31, 2022

Data Control Codes		497	499	Total Nonmajor Governmental Funds
		Greater Waco Advanced Academies Fund	Other Locally Funded Special Revenue Funds	
Assets				
1110	Cash and cash equivalents	\$ -	\$ -	\$ 674,954
1240	Receivables from other governments	-	-	7,775,260
1260	Due from other funds	116,615	92,828	478,793
1290	Other receivables	-	25,647	123,079
	Total assets	<u>\$ 116,615</u>	<u>\$ 118,475</u>	<u>\$ 9,052,086</u>
Liabilities				
2110	Accounts payable	\$ 18,815	\$ -	\$ 954,389
2120	Other current liabilities	-	-	73
2160	Accrued wages payable	97,800	5,819	842,115
2170	Due to other funds	-	-	6,293,987
2180	Due to other governments	-	-	8,302
2300	Unearned revenues	-	112,656	296,201
	Total liabilities	<u>116,615</u>	<u>118,475</u>	<u>8,395,067</u>
Fund Balances				
Committed fund balance:				
3545	Other committed fund balance	-	-	657,019
3600	Unassigned fund balance	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>657,019</u>
4000	Total liabilities and fund balances	<u>\$ 116,615</u>	<u>\$ 118,475</u>	<u>\$ 9,052,086</u>

Waco Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended August 31, 2022

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	78,121	6,705,981	2,939,006
5020 Total revenues	<u>78,121</u>	<u>6,705,981</u>	<u>2,939,006</u>
Expenditures			
Current:			
0011 Instruction	5,571	2,140,106	1,645,785
0012 Instructional resources and media services	-	-	-
0013 Curriculum and instructional staff development	-	3,324,975	54,744
0021 Instructional leadership	10,098	184,279	74,639
0023 School leadership	-	170,230	-
0031 Guidance, counseling, and evaluation services services	-	16,150	1,163,632
0032 Social work services	62,053	125,951	-
0033 Health services	-	20,608	206
0036 Extracurricular activities	-	-	-
0041 General administration	-	-	-
0051 Plant maintenance and operations	-	-	-
0052 Security and monitoring services	-	-	-
0053 Data processing services	-	-	-
0061 Community services	399	723,682	-
Capital Outlay:			
0081 Facilities acquisition, construction and improvements	-	-	-
Intergovernmental:			
0093 Payments to fiscal agent/member districts of shared services arrangements	-	-	-
6030 Total expenditures	<u>78,121</u>	<u>6,705,981</u>	<u>2,939,006</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>

Waco Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended August 31, 2022

Data Control Codes	276	278	279
	ESSA, Title I, School Improvement Program Academy Grant	ESSER III, American Rescue Plan Act of 2021 - Homeless Children & Youth	ESSER III, Texas COVID Learning Acceleration Supports (TCLAS)
Revenues			
5700 Local and intermediate sources	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-
5900 Federal program revenues	(164)	19,596	1,070
5020 Total revenues	<u>(164)</u>	<u>19,596</u>	<u>1,070</u>
Expenditures			
Current:			
0011 Instruction	(164)	430	1,070
0012 Instructional resources and media services	-	-	-
0013 Curriculum and instructional staff development	-	-	-
0021 Instructional leadership	-	19,166	-
0023 School leadership	-	-	-
0031 Guidance, counseling, and evaluation services services	-	-	-
0032 Social work services	-	-	-
0033 Health services	-	-	-
0036 Extracurricular activities	-	-	-
0041 General administration	-	-	-
0051 Plant maintenance and operations	-	-	-
0052 Security and monitoring services	-	-	-
0053 Data processing services	-	-	-
0061 Community services	-	-	-
Capital Outlay:			
0081 Facilities acquisition, construction and improvements	-	-	-
Intergovernmental:			
0093 Payments to fiscal agent/member districts of shared services arrangements	-	-	-
6030 Total expenditures	<u>(164)</u>	<u>19,596</u>	<u>1,070</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	284	289	315	397
ESSER II Coronavirus Response & Relief Supplemental Appropriations	ESSER III, American Rescue Plan Act of 2021	ESSER III, American Rescue Plan Act of 2021- IDEA -- Part B, Formula	Other Federally Funded Special Revenue Funds	Shared Services Arrangements - IDEA, Part B, Discretionary	Advanced Placement Incentives
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	6,606
5,368,264	8,561,594	136,544	5,671,148	39,929	-
<u>5,368,264</u>	<u>8,561,594</u>	<u>136,544</u>	<u>5,671,148</u>	<u>39,929</u>	<u>6,606</u>
4,112,361	4,221,425	-	5,426,650	10,755	2,106
81,251	2,096,388	-	-	-	-
280,507	870,202	126,983	51,909	29,174	4,500
25,971	83,474	-	27,317	-	-
195,231	124,985	-	15,695	-	-
133,778	558,477	9,561	135,427	-	-
92,369	17,919	-	-	-	-
1,254	56,517	-	-	-	-
39,076	278,537	-	-	-	-
1,023	-	-	14,150	-	-
187,207	-	-	-	-	-
564	-	-	-	-	-
128	-	-	-	-	-
217,544	253,670	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,368,264</u>	<u>8,561,594</u>	<u>136,544</u>	<u>5,671,148</u>	<u>39,929</u>	<u>6,606</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Waco Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended August 31, 2022

Data Control Codes	410	427	429
	State Instructional Materials Fund	Texas Workforce Commission Apprenticeship Training	Other State Funded Special Revenue Funds
Revenues			
5700 Local and intermediate sources	\$ -	\$ 48	\$ -
5800 State program revenues	541,130	28,269	66,296
5900 Federal program revenues	-	-	-
5020 Total revenues	<u>541,130</u>	<u>28,317</u>	<u>66,296</u>
Expenditures			
Current:			
0011 Instruction	541,130	-	8,053
0012 Instructional resources and media services	-	-	-
0013 Curriculum and instructional staff development	-	-	-
0021 Instructional leadership	-	-	58,243
0023 School leadership	-	-	-
0031 Guidance, counseling, and evaluation services services	-	-	-
0032 Social work services	-	-	-
0033 Health services	-	-	-
0036 Extracurricular activities	-	-	-
0041 General administration	-	-	-
0051 Plant maintenance and operations	-	-	-
0052 Security and monitoring services	-	7,793	-
0053 Data processing services	-	-	-
0061 Community services	-	48	-
Capital Outlay:			
0081 Facilities acquisition, construction and improvements	-	-	-
Intergovernmental:			
0093 Payments to fiscal agent/member districts of shared services arrangements	-	-	-
6030 Total expenditures	<u>541,130</u>	<u>7,841</u>	<u>66,296</u>
1100 Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>20,476</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	-	20,476	-
100 Fund balances, beginning	-	-	-
3000 Fund balances, ending	<u>\$ -</u>	<u>\$ 20,476</u>	<u>\$ -</u>

435	446	458	461	487	492
Shared Services Arrangements - Regional Day School for the Deaf	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
\$ -	\$ 643,364	\$ 526,372	\$ 435,958	\$ 94,942	\$ 53,662
175,295	137,448	43,144	-	-	-
-	-	-	-	-	-
<u>175,295</u>	<u>780,812</u>	<u>569,516</u>	<u>435,958</u>	<u>94,942</u>	<u>53,662</u>
105,141	440,646	741,737	92,818	88,745	-
-	-	-	53,874	3,914	-
53,474	-	5,617	400	299	53,662
16,680	-	-	-	-	-
-	190,999	-	24,278	-	-
-	73,327	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	266,373	1,984	-
-	-	-	-	-	-
-	7,328	-	4	-	-
-	-	-	764	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	68,512	-	-	-	-
<u>175,295</u>	<u>780,812</u>	<u>747,354</u>	<u>438,511</u>	<u>94,942</u>	<u>53,662</u>
-	-	(177,838)	(2,553)	-	-
-	-	177,838	8,427	-	-
-	-	-	(8,427)	-	-
-	-	177,838	-	-	-
-	-	-	(2,553)	-	-
-	-	-	639,096	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 636,543</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, 2022

Data Control Codes		497	499	
		Greater Waco Advanced Academies Fund	Other Locally Funded Special Revenue Funds	Total Nonmajor Governmental Funds
Revenues				
5700	Local and intermediate sources	\$ 2,068,012	\$ 243,124	\$ 4,065,482
5800	State program revenues	125,621	-	1,123,809
5900	Federal program revenues	-	-	30,997,612
5020	Total revenues	<u>2,193,633</u>	<u>243,124</u>	<u>36,186,903</u>
Expenditures				
Current:				
0011	Instruction	1,732,889	99,476	21,740,269
0012	Instructional resources and media services	-	-	2,235,427
0013	Curriculum and instructional staff development	10,105	900	5,789,222
0021	Instructional leadership	389,590	-	936,685
0023	School leadership	-	-	721,418
0031	Guidance, counseling, and evaluation services services	262,058	-	2,383,410
0032	Social work services	-	-	298,292
0033	Health services	-	-	78,585
0036	Extracurricular activities	-	1,598	587,568
0041	General administration	-	-	32,173
0051	Plant maintenance and operations	166,857	-	361,396
0052	Security and monitoring services	-	-	9,121
0053	Data processing services	-	-	128
0061	Community services	-	141,150	1,336,493
Capital Outlay:				
0081	Facilities acquisition, construction and improvements	-	-	-
Intergovernmental:				
0093	Payments to fiscal agent/member districts of shared services arrangements	-	-	68,512
6030	Total expenditures	<u>2,561,499</u>	<u>243,124</u>	<u>36,578,699</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(367,866)</u>	<u>-</u>	<u>(391,796)</u>
Other Financing Sources (Uses)				
7915	Transfers in	367,866	-	554,131
8911	Transfers out	-	-	(144,412)
	Total other financing sources (uses)	<u>367,866</u>	<u>-</u>	<u>409,719</u>
1200	Net change in fund balances	-	-	17,923
100	Fund balances, beginning	-	-	639,096
3000	Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 657,019</u>

Texas Education Agency Required Schedules

Waco Independent School District
Schedule of Delinquent Taxes Receivable
For the Year Ended August 31, 2022

Last Ten Years Ended August 31,	1		2	3
	Tax Rates			Assessed Appraised Value For School Tax Purposes
	Maintenance & Operations	Debt Service		
2013 and prior years	Various	Various		Various
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	1.03980	0.22415		6,383,598,838
2022 (school year under audit)	1.02440	0.22024		6,881,467,412
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, 2021	Current Year's Total Levy	Total Collections		Entire Year's Adjustments	Balance August 31, 2022
		Maintenance & Operations	Debt Service		
\$ 703,209	\$ -	\$ 16,868	\$ 4,105	\$ (72,387)	\$ 609,849
124,179	-	4,915	1,488	(268)	117,509
136,637	-	4,739	1,427	(223)	130,247
137,670	-	6,058	1,191	(245)	130,177
155,536	-	12,359	2,430	361	141,109
219,834	-	25,311	5,192	(3,719)	185,612
308,993	-	(52,143)	(10,432)	(123,484)	248,084
504,872	-	(44,715)	(9,798)	(266,661)	292,724
1,925,023	-	324,527	69,959	(1,114,012)	416,524
-	85,649,496	72,084,452	15,497,733	3,107,144	1,174,455
<u>\$ 4,215,953</u>	<u>\$ 85,649,496</u>	<u>\$ 72,382,370</u>	<u>\$ 15,563,294</u>	<u>\$ 1,526,506</u>	<u>\$ 3,446,291</u>
		<u>\$ 5,365,172</u>	<u>\$ 1,154,468</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, 2022**

Data Control Codes	Budgeted Amounts		Actual	Variances	
	Original	Final	Amounts (GAAP Basis)	With Final Budget	
Revenues					
5700	Local and intermediate sources	\$ 15,949,445	\$ 16,349,445	\$ 16,093,945	\$ (255,500)
5800	State program revenues	307,292	307,292	301,238	(6,054)
5020	Total revenues	<u>16,256,737</u>	<u>16,656,737</u>	<u>16,395,183</u>	<u>(261,554)</u>
Expenditures					
Debt service:					
0071	Principal on long-term debt	12,095,000	11,870,000	11,870,000	-
0072	Interest on long-term debt	4,091,517	4,310,517	4,209,816	100,701
0073	Bond issuance cost and fees	20,000	26,000	20,900	5,100
Intergovernmental:					
0097	Payments to tax increment fund	<u>1,070,729</u>	<u>1,470,729</u>	<u>1,154,468</u>	<u>316,261</u>
6030	Total expenditures	<u>17,277,246</u>	<u>17,677,246</u>	<u>17,255,184</u>	<u>422,062</u>
1200	Net change in fund balance	(1,020,509)	(1,020,509)	(860,001)	160,508
0100	Fund balance, beginning	<u>3,795,840</u>	<u>4,866,235</u>	<u>4,866,235</u>	-
3000	Fund balance, ending	<u>\$ 2,775,331</u>	<u>\$ 3,845,726</u>	<u>\$ 4,006,234</u>	<u>\$ 160,508</u>

Waco Independent School District
Compliance with Laws and Regulations
For the Year Ended August 31, 2022

Exhibit J-3

Data Codes		Responses
Section A: Compensatory Education Programs		
AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 20,636,773
AP4	List the actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 11,390,648
Section B: Bilingual Education Programs		
AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the district's fiscal year.	\$ 1,703,585
AP8	List the actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25, 35)	\$ 884,326

**Statistical Section
(Unaudited)**

Statistical Section (Unaudited)

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

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

Page

Financial Trends

124

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

Revenue Capacity

136

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

Debt Capacity

144

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

150

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

154

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)

	2022 ³	2021	2020	2019
Governmental activities				
Net investment in capital assets	\$ 70,120,164	\$ 48,860,389	\$ 32,029,477	\$ 29,669,042
Restricted for federal and state programs	5,676,286	4,698,491	3,092,933	3,822,443
Restricted for debt service	-	-	3,774,583	4,037,123
Restricted for other purposes	2,457,009	1,751,786	-	-
Unrestricted	<u>(57,438,274)</u>	<u>(64,614,504)</u>	<u>(57,017,617)</u>	<u>(55,052,397)</u>
Total governmental activities net position	<u>20,815,185</u>	<u>(9,303,838)</u>	<u>(18,120,624)</u>	<u>(17,523,789)</u>
Primary government				
Net investment in capital assets	70,120,164	48,860,389	\$ 32,029,477	29,669,042
Restricted for federal and state programs	5,676,286	4,698,491	3,092,933	3,822,443
Restricted for debt service	-	-	3,774,583	4,037,123
Restricted for other purposes	2,457,009	1,751,786	-	-
Unrestricted	<u>(57,438,274)</u>	<u>(64,614,504)</u>	<u>(57,017,617)</u>	<u>(55,052,397)</u>
Total primary government activities net position	<u>\$ 20,815,185</u>	<u>\$ (9,303,838)</u>	<u>\$ (18,120,624)</u>	<u>\$ (17,523,789)</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.

³ The District adopted Governmental Accounting Standards Board Statement No. 87 for the year ended August 31, 2022, requiring the recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognize as inflows of resources or outflows of resources based on the payment provisions of the contract.

Table 1

<u>2018²</u>	<u>2017</u>	<u>2016</u>	<u>2015¹</u>	<u>2014</u>	<u>2013</u>
\$ 29,990,868	\$ 28,540,181	\$ 26,434,432	\$ 28,878,748	\$ 28,036,887	\$ 29,784,107
2,806,177	2,251,264	1,728,453	1,419,771	1,407,414	1,332,481
3,154,115	1,906,582	1,840,786	-	1,530,743	1,594,131
-	-	-	-	-	-
<u>(57,388,891)</u>	<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>(21,437,731)</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>
29,990,868	28,540,181	26,434,432	28,878,748	28,036,887	29,784,107
2,806,177	2,251,264	1,728,453	1,419,771	1,407,414	1,332,481
3,154,115	1,906,582	1,840,786	-	1,530,743	1,594,131
-	-	-	-	-	-
<u>(57,388,891)</u>	<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>\$ (21,437,731)</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>

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

	2022 ^a	2021	2020	2019
Expenses - governmental activities:				
Instruction	\$101,232,746	\$ 108,588,615	\$105,111,083	\$ 97,204,175
Instructional resource and media services	3,235,033	1,192,490	1,230,515	1,145,653
Curriculum and instructional staff development	8,933,429	9,121,131	10,385,500	8,191,863
Instructional leadership	4,136,081	5,332,555	5,641,079	5,279,944
School leadership	9,819,089	10,695,652	11,178,027	10,762,453
Guidance, counseling, and evaluation services	7,025,873	7,496,360	6,903,962	5,935,365
Social work services	935,250	1,100,337	1,183,436	1,176,663
Health services	1,402,295	1,805,296	1,532,816	1,289,858
Student transportation	3,172,110	3,200,450	3,155,808	3,164,818
Food services	9,874,172	8,374,591	11,404,285	11,095,518
Extracurricular activities	6,419,770	5,788,669	6,059,245	5,693,948
General administration	5,867,190	5,920,000	5,671,606	4,935,156
Plant maintenance and operations	17,389,733	18,505,551	17,657,184	15,921,753
Security and monitoring services	2,421,712	3,027,839	2,316,628	2,550,677
Data processing services	3,794,523	3,507,680	4,561,909	4,025,862
Community services	1,829,316	1,794,330	1,669,506	1,883,438
Interest on long-term debt	7,502,230	5,157,532	6,297,691	6,525,159
Bond issuance cost and fees	20,900	1,038,026	15,812	5,650
Facilities acquisition, improvements and construction	1,196,164	15,522	-	116,177
Payments to fiscal agents/member districts of shared services arrangements	358,512	330,000	423,945	749,055
Payments related to Juvenile Justice Alternative Education Program	601,643	295,918	646,950	514,035
Payments to tax increment zones	8,124,221	8,207,338	8,000,245	7,850,239
Other intergovernmental charges	721,826	704,473	755,302	839,620
Total governmental activities expenses	206,013,818	211,200,355	211,802,534	196,857,079
Program revenues - governmental activities:				
Charges for services:				
Instruction	2,627,136	2,929,340	2,863,604	2,942,550
Instructional leadership	309,837	-	-	-
School leadership	171,891	-	-	-
Guidance, counseling, and evaluation services	266,818	-	-	-
Food services	442,536	225,868	350,362	568,314
Extracurricular activities	723,579	390,690	508,589	813,046
General administration	116,184	102,989	86,763	190,180
Plant maintenance and operations	307,365	441,653	320,540	365,233
Community services	-	-	103,496	164,712
Other activities	100,220	1,001,176	1,018,627	792,380
Operating grants and contributions	78,498,084	44,556,955	45,063,392	43,276,111
Total governmental activities program revenues	83,563,650	49,648,671	50,315,373	49,112,526
Net (expense)/revenue - governmental activities	(122,450,168)	(161,551,684)	(161,487,161)	(147,744,553)

Table 2

2018 ²	2017	2016	2015 ¹	2014	2013
\$ 63,778,397	\$ 92,410,667	\$ 88,611,062	\$ 77,681,640	\$ 69,789,327	\$ 70,548,505
951,999	1,121,495	1,196,338	1,124,801	1,135,530	1,040,805
4,118,181	8,340,412	7,509,106	6,947,353	6,173,202	6,884,856
2,420,981	4,335,621	4,392,247	3,677,116	3,318,806	2,693,158
6,657,882	9,845,156	9,978,219	9,115,358	8,738,412	8,310,370
3,202,513	5,574,333	5,144,364	4,648,929	4,219,053	4,169,755
700,617	941,636	1,417,893	1,031,823	902,610	362,398
825,391	1,177,356	1,216,958	1,102,805	1,033,294	948,578
3,177,773	2,956,595	2,860,485	2,693,602	3,138,533	3,080,299
8,678,763	10,769,354	10,492,347	10,019,785	10,146,039	10,231,923
4,374,793	5,449,388	5,051,637	4,653,098	4,324,813	4,544,834
3,738,000	5,232,469	4,984,938	4,179,447	4,409,243	3,840,553
15,301,105	18,573,874	18,452,585	17,352,111	14,670,240	14,898,553
1,875,149	2,095,530	2,222,486	2,070,750	1,790,388	1,920,229
2,548,797	2,981,430	3,045,119	3,411,040	2,692,333	2,358,120
1,037,951	1,306,982	1,152,542	1,215,064	2,187,539	1,653,751
6,709,165	6,927,718	6,474,116	7,503,739	9,251,908	9,589,096
6,700	6,700	514,954	1,075,983	5,050	158,974
1,145	-	-	160,135	1,996,941	2,205,186
556,613	522,174	520,899	409,664	242,077	156,879
456,901	558,366	410,518	360,740	422,845	556,650
6,968,873	5,616,835	4,214,674	3,534,625	3,061,499	3,393,153
832,723	711,202	701,349	727,905	616,522	597,698
138,920,412	187,455,293	180,564,836	164,697,513	154,266,204	154,144,323
2,616,206	2,245,294	1,719,516	1,448,081	1,016,740	1,014,343
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
632,980	734,826	688,102	698,505	692,221	748,295
1,054,949	960,344	992,762	878,815	993,237	794,470
216,287	-	-	-	-	-
389,512	388,975	366,705	243,895	368,157	107,856
146,170	139,676	110,757	112,199	111,084	130,337
651,011	1,232,811	788,737	745,053	490,417	580,462
9,980,612	40,212,598	41,546,587	40,689,915	35,356,370	36,972,531
15,687,727	45,914,524	46,213,166	44,816,463	39,028,226	40,348,294
(123,232,685)	(141,540,769)	(134,351,670)	(119,881,050)	(115,237,978)	(113,796,029)

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

	2022 ³	2021	2020	2019
General revenues - governmental activities:				
Property taxes, levied for general purposes	69,695,140	70,822,072	67,873,571	69,781,667
Property taxes, levied for debt service	14,983,637	15,269,209	14,883,194	13,941,068
Grants and contributions not restricted	67,479,128	80,387,751	76,390,346	65,405,082
Unrestricted investment earnings	1,085,024	173,600	995,027	1,633,709
Miscellaneous	1,078,051	1,964,052	911,362	883,453
Gain (loss) on disposals of capital assets	-	-	(163,174)	13,516
Transfers in/out	-	-	-	-
Total general revenues, transfers, and special item	<u>154,320,980</u>	<u>168,616,684</u>	<u>160,890,326</u>	<u>151,658,495</u>
Change in net position - governmental activities	<u>\$ 31,870,812</u>	<u>\$ 7,065,000</u>	<u>\$ (596,835)</u>	<u>\$ 3,913,942</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.

³ The District adopted Governmental Accounting Standards Board Statement No. 87 for the year ended August 31, 2022, requiring the recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognize as inflows of resources or outflows of resources based on the payment provisions of the contract.

Table 2
(concluded)

<u>2018³</u>	<u>2017</u>	<u>2016</u>	<u>2015²</u>	<u>2014</u>	<u>2013</u>
64,060,469	58,783,113	52,444,091	45,214,877	42,790,674	41,675,687
13,139,700	11,592,463	10,329,819	13,589,549	12,928,067	12,568,812
64,950,166	68,772,790	70,471,901	65,525,694	62,882,914	61,632,137
1,072,854	524,447	244,394	88,831	119,105	150,235
828,848	768,018	708,154	818,949	702,540	873,017
33,013	45,093	53,885	(1,054,382)	2,291,077	612,687
-	-	-	15,000	-	-
<u>144,085,050</u>	<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>\$ 20,852,365</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>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
General fund				
Nonspendable	\$ 398,044	\$ 394,866	\$ 1,179,204	\$ 412,344
Committed	6,688,198	15,712,366	3,369,656	3,002,885
Assigned	-	-	-	-
Restricted	2,457,009	1,751,786	2,123,100	1,110,137
Unassigned	<u>45,710,678</u>	<u>35,684,217</u>	<u>46,008,487</u>	<u>44,712,941</u>
Total general fund	<u>\$ 55,253,929</u>	<u>\$ 53,543,235</u>	<u>\$ 52,680,447</u>	<u>\$ 49,238,307</u>
All other governmental funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Capital projects	201,458,495	-	1,566	-
Federal and state programs	5,676,286	4,698,491	3,092,933	3,822,443
Debt service	4,006,234	4,866,235	3,990,782	4,057,107
Assigned	-	-	-	-
Committed	657,019	639,096	672,580	642,837
Unassigned	<u>-</u>	<u>(1,457,770)</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 211,798,034</u>	<u>\$ 8,746,052</u>	<u>\$ 7,757,861</u>	<u>\$ 8,522,387</u>

Source: District Financial Statements

Table 3

2018	2017	2016	2015	2014	2013
\$ 680,007	\$ 684,300	\$ 196,803	\$ 239,129	\$ 214,094	\$ 221,831
1,273,469	3,487,432	5,448,732	4,878,618	2,812,330	1,668,158
299,723	1,485,130	1,235,550	1,118,207	668,770	1,355,548
-	-	-	-	-	-
41,768,477	39,165,626	39,036,156	36,747,458	36,742,623	29,668,401
<u>\$ 44,021,676</u>	<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>
\$ -	\$ -	\$ -	\$ 142,981	\$ 151,073	\$ 150,453
443,939	845,439	1,243,250	2,025,445	2,732,183	3,296,127
2,806,177	2,251,264	1,728,453	1,419,771	1,256,341	1,332,481
3,911,753	4,653,605	4,646,144	4,627,553	3,626,685	3,476,956
-	-	-	-	-	-
639,941	548,488	456,582	491,049	476,297	417,218
-	-	-	-	-	-
<u>\$ 7,801,810</u>	<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>

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

	2022	2021	2020	2019
Revenues				
Local and intermediate sources	\$ 118,523,512	\$ 93,298,976	\$ 90,577,649	\$ 93,228,446
State program revenues	82,262,498	89,261,069	86,549,457	74,159,070
Federal program revenues	47,557,777	33,722,403	28,739,737	29,090,242
Total revenues	<u>248,343,787</u>	<u>216,282,448</u>	<u>205,866,843</u>	<u>196,477,758</u>
Expenditures				
Current:				
Instruction	\$ 105,559,684	\$ 101,910,470	\$ 94,728,241	\$ 88,589,322
Instructional resources and media services	3,158,923	977,265	1,026,404	953,943
Curriculum and instructional staff development	9,702,750	8,437,370	8,930,368	7,342,447
Instructional leadership	4,512,662	4,973,273	4,992,117	4,674,887
School leadership	10,700,636	10,406,135	10,432,418	10,226,382
Guidance, counseling, and evaluation services	7,716,404	7,119,784	6,260,709	5,562,522
Social work services	1,031,676	1,052,397	1,055,654	1,096,478
Health services	1,506,672	1,736,536	1,443,506	1,223,843
Student transportation services	2,612,824	3,375,332	2,648,110	3,344,683
Food services	10,765,365	7,231,155	10,497,220	10,422,650
Extracurricular activities	6,115,262	4,976,487	5,425,492	4,793,853
General administration	6,235,983	5,723,917	5,296,603	4,642,301
Plant maintenance and operations	17,871,072	18,326,680	17,421,238	15,715,345
Security and monitoring services	2,626,563	3,137,236	2,430,928	2,539,398
Data processing services	3,543,422	3,618,322	4,580,566	3,626,750
Community services	1,924,439	1,670,253	1,437,078	1,666,088
Debt service:				
Principal	12,182,422	8,410,000	7,335,001	7,025,000
Interest	4,219,199	5,236,916	7,343,668	6,819,243
Bond issuance cost and fees	20,900	1,038,022	15,811	5,650
Capital outlay:				
Facilities acquisition and construction	23,470,081	6,603,021	103,970	316,816
Intergovernmental:				
Payments to fiscal agent/member districts SSA	358,512	330,000	423,945	749,055
Payments to Juvenile Justice Alternative Education Program	601,643	295,918	646,950	514,035
Payments to tax increment zone	8,124,222	8,207,338	8,000,245	7,850,239
Other intergovernmental charges	721,825	704,473	755,302	839,620
Total expenditures	<u>245,283,141</u>	<u>215,498,300</u>	<u>203,231,544</u>	<u>190,540,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,060,646</u>	<u>784,148</u>	<u>2,635,299</u>	<u>5,937,208</u>
Other Financing Sources (Uses)				
Bonds issued	189,500,000	106,740,000	-	-
Sale of real and personal property	-	30,000	42,315	-
Transfers in	690,116	902,039	655,868	675,612
Premium on bonds issued	12,202,030	17,420,122	-	-
Other sources	-	-	-	-
Transfers out	(690,116)	(902,039)	(655,868)	(675,612)
Payment to refunded bond escrow agent	-	(123,123,290)	-	-
Other uses	-	-	-	-
Total other financing sources (uses)	<u>201,702,030</u>	<u>1,066,832</u>	<u>42,315</u>	<u>-</u>
Net change in fund balances	<u>\$ 204,762,676</u>	<u>\$ 1,850,980</u>	<u>\$ 2,677,614</u>	<u>\$ 5,937,208</u>
Debt service as a percentage of noncapital expenditures	7.4%	7.0%	7.2%	7.3%

Source: District Financial Statements

Table 4

	2018	2017	2016	2015	2014	2013
\$	85,458,408	\$ 77,344,586	\$ 69,684,244	\$ 64,420,380	\$ 59,895,256	\$ 59,882,644
	72,918,940	78,642,333	80,156,138	74,881,477	72,005,696	71,339,699
	27,467,542	28,926,389	29,186,936	30,879,002	25,785,150	26,293,477
	<u>185,844,890</u>	<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>
\$	85,894,552	\$ 86,373,466	\$ 80,287,130	\$ 73,544,308	\$ 65,773,712	\$ 66,734,401
	943,618	930,660	918,932	871,303	956,203	875,023
	7,287,411	7,679,307	7,220,416	7,090,487	6,158,827	6,881,577
	4,171,826	3,972,383	4,134,042	3,644,096	3,215,002	2,585,326
	9,769,100	9,521,555	9,454,571	9,090,220	8,649,180	8,231,601
	5,131,429	5,252,786	4,900,067	4,710,930	4,192,971	4,146,376
	1,089,475	911,831	1,368,352	1,055,551	902,275	362,398
	1,160,302	1,135,012	1,132,468	1,081,972	1,008,098	926,641
	4,703,866	3,201,247	2,788,283	2,054,638	2,938,064	2,819,384
	10,005,654	9,935,592	9,995,417	9,694,328	9,768,020	10,229,538
	5,224,859	5,116,060	4,411,489	4,037,392	4,402,364	3,930,221
	4,781,082	5,019,628	4,693,069	4,058,668	4,336,176	3,710,319
	17,002,432	18,574,278	18,051,929	17,544,931	14,623,438	14,722,369
	2,088,241	2,052,257	2,096,265	2,064,819	1,785,731	1,903,102
	2,720,092	2,687,285	3,083,693	3,194,738	2,519,842	2,587,351
	1,437,425	1,217,550	1,103,584	1,205,695	1,056,774	1,601,757
	4,975,000	6,695,000	7,440,001	8,305,002	6,610,000	7,055,000
	8,945,604	7,204,145	7,472,809	7,427,240	9,160,240	9,242,115
	6,700	6,700	514,954	1,075,983	5,050	158,974
	1,035,883	937,327	380,248	1,812,997	2,286,048	11,767,501
	556,613	522,174	520,899	409,664	242,077	156,879
	456,901	558,366	410,518	360,740	422,845	556,650
	6,968,874	5,616,835	4,214,674	3,534,625	3,061,499	3,393,153
	832,723	711,202	701,349	727,905	616,522	597,698
	<u>187,189,662</u>	<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>(1,344,772)</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>
	-	-	47,120,000	106,455,000	-	9,635,000
	46,974	48,952	61,135	331,914	4,098,079	1,307,872
	800,696	1,543,542	1,928,616	86,845	110,859	8,946
	-	-	11,068,981	12,852,104	-	856,820
	-	-	-	-	-	32,868
	(800,696)	(1,543,542)	(1,928,616)	(71,845)	(110,859)	(8,946)
	-	-	(57,680,816)	(118,226,829)	-	(10,326,616)
	-	-	-	-	-	-
	<u>46,974</u>	<u>48,952</u>	<u>569,300</u>	<u>1,427,189</u>	<u>4,098,079</u>	<u>1,505,944</u>
\$	<u>(1,297,798)</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>
	7.5%	7.5%	8.7%	10.1%	10.4%	10.7%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Local sources:				
Property tax	\$ 87,945,664	\$ 85,608,839	\$ 82,983,635	\$ 84,180,419
Other	30,577,848	7,690,137	7,594,014	9,048,027
State sources	82,262,498	89,261,069	86,549,457	74,159,070
Federal sources	<u>47,557,777</u>	<u>33,722,403</u>	<u>28,739,737</u>	<u>29,090,242</u>
	<u>\$248,343,787</u>	<u>\$216,282,448</u>	<u>\$205,866,843</u>	<u>\$196,477,758</u>

Source: District financial records

Table 5

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 77,206,627	\$ 69,736,942	\$ 63,526,571	\$ 58,960,839	\$ 54,953,317	\$ 54,512,088
8,251,781	7,607,644	6,157,673	5,459,541	4,941,939	5,370,556
72,918,940	78,642,333	80,156,138	74,881,477	72,005,696	71,339,699
<u>27,467,542</u>	<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><u>\$185,844,890</u></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>

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
2022	\$ 5,040,923,149	\$ 164,134,112	\$ 51,853,600	\$ 2,166,807,565	\$185,775,038	\$ 710,997,510
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

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

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

Table 6

Actual/Market Value					
<u>Special Inventory</u>	<u>Totally Exempt Property</u>	<u>Total Actual/Market Value</u>	<u>Exemptions and Cap Adjustments</u>	<u>Total Taxable Assessed Value</u>	<u>Tax Rates¹</u>
\$ 42,038,530	\$ 2,252,635,339	\$ 10,615,164,843	\$ 3,058,012,790	\$ 7,557,152,053	1.244640
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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>School District</u>				
Maintenance & Operations	\$ 1.024400	\$ 1.039800	\$ 1.068350	\$ 1.170000
Debt Service	0.220240	0.224150	0.234100	0.234080
Waco ISD Total	<u>1.244640</u>	<u>1.263950</u>	<u>1.302450</u>	<u>1.404080</u>
 <u>County</u>				
McLennan	0.425000	0.468719	0.485293	0.485293
McLennan Community College	0.149782	0.149782	0.147696	0.147696
 <u>City</u>				
Waco	0.767282	0.776232	0.776232	0.776232
Woodway	0.470000	0.500000	0.450000	0.450000
Hewitt	0.540102	0.547838	0.539677	0.539677
Beverly Hills	0.485415	0.473550	0.467077	0.484596
Waco Public Improvement District	0.100000	0.100000	0.100000	0.100000

Source: McLennan County Tax Office Truth in Taxation Summary

Rates are per \$100 of Assessed Valuation

Table 7

2018	2017	2016	2015	2014	2013
\$ 1.170000	\$ 1.170000	\$ 1.170000	\$ 1.040000	\$ 1.040000	\$ 1.040000
0.240000	0.230000	0.230000	0.313240	0.314800	0.315180
<u>1.410000</u>	<u>1.400000</u>	<u>1.400000</u>	<u>1.353240</u>	<u>1.354800</u>	<u>1.355180</u>
0.505293	0.525293	0.535293	0.535293	0.535293	0.460573
0.150346	0.148898	0.149724	0.149530	0.151530	0.151530
0.776232	0.776232	0.776232	0.776232	0.776232	0.786232
0.470000	0.470000	0.470000	0.470000	0.456900	0.456900
0.539677	0.539677	0.539677	0.539677	0.539677	0.514977
0.490145	0.490145	0.490145	0.452719	0.403647	0.362501
0.100000	0.100000	0.100000	0.100000	0.100000	-

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

Taxpayer	2022		Percentage of Total Taxable Value ²
	Taxable Assessed Value ¹	Rank	
ONCOR Electric Delivery Co LLC	\$ 67,988,170	1	0.90%
3503 RP Waco Central LP	62,679,540	2	0.83%
Tractor Supply	58,593,684	3	0.78%
ATMOS Energy/Mid-Tex Distribution	56,245,890	4	0.74%
CD/Park7 Waco Owner LP	48,500,000	5	0.64%
Madison Loft LLC	45,968,230	6	0.61%
Texas Farm Bureau Business Corporation	39,834,850	7	0.53%
Zylstra Holdings at Waco LLC	38,688,840	8	0.51%
Plato TX III Propco LP	38,394,470	9	0.51%
ACC OP (Speight Ave) LLC	37,218,644	10	0.49%
Inland Western Waco Central, L.P.			
Owens-Brockway Glass Container Inc			
CBL/Richland Mall LP			
Seavest Inc			
Hoppenstein Properties Inc			
Outpost Apartments LLC ETAL			
Total	<u>\$ 494,112,318</u>		<u>6.54%</u>

Source: McLennan County Tax Office Certified Roll reports

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

² Taxable assessed value equals: \$ 7,557,152,053

³ Taxable assessed value equals: \$ 4,253,591,873

Table 8

2013		
Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Value ³
\$ 39,448,116	4	0.93%
42,112,827	2	0.99%
22,131,858	7	0.52%
20,327,752	8	0.48%
50,709,220	1	1.19%
23,637,065	6	0.56%
41,360,203	3	0.97%
24,113,522	5	0.57%
19,622,960	9	0.46%
18,100,000	10	0.43%
<u>\$ 301,563,523</u>		<u>7.09%</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
2022	\$ 88,756,641	\$ (3,107,145)		\$ 85,649,496
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

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
\$ 87,582,185	102.26%	\$ -	\$ 87,582,185	102.26%
84,416,904	98.42%	939,752	85,356,656	99.81%
81,947,736	100.32%	(551,325)	81,396,411	101.58%
83,362,598	101.97%	(1,858,457)	81,504,141	94.44%
76,596,826	104.03%	(3,152,160)	73,444,666	95.67%
69,209,687	97.82%	1,397,676	70,607,363	88.13%
62,798,654	97.50%	1,482,760	64,281,414	88.67%
57,839,516	98.07%	1,006,579	58,846,095	91.57%
54,159,631	97.58%	1,224,605	55,384,236	92.38%
53,216,868	97.16%	1,450,328	54,667,196	97.80%

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

Fiscal Year Ended August 31,	Governmental Activities			
	General	Maintenance	Lease	Right-to-use
	Obligation	Tax	Revenue	Leases
	Bonds ¹	Notes	Bonds	Payable
2022	\$ 343,378,287	\$ -	\$ -	\$ 1,027,098
2021	155,274,348	-	-	-
2020	158,445,378	-	-	-
2019	167,357,623	-	345,000	-
2018	175,222,345	-	670,000	-
2017	183,001,730	-	980,000	-
2016	190,557,149	-	1,270,000	-
2015	192,761,860	570,000	1,545,000	-
2014	187,447,193	1,120,000	1,805,000	-
2013	193,429,910	1,645,000	2,055,000	-

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

	Total Outstanding Debt	Ratio of Debt to Taxable Assessed Value ²	Net Debt per Student ³
\$	344,405,385	4.56%	\$ 24,450
	155,274,348	2.18%	10,762
	158,445,378	2.41%	9,492
	167,702,623	2.75%	10,037
	175,892,345	3.22%	10,331
	183,981,730	3.50%	12,310
	191,827,149	4.03%	12,807
	194,876,860	4.28%	12,782
	190,372,193	4.43%	12,826
	197,129,910	4.63%	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
2022	\$ 310,660,000	\$ 4,006,234	\$ 306,653,766
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

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>
4.06%	\$ 21,254
1.80%	8,883
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

**Waco Independent School District
 Direct and Overlapping Governmental Activities Debt
 as of August 31, 2022**

<u>Taxing Authority</u>	<u>Gross Debt Outstanding</u>	<u>Percent Overlapping¹</u>
<u>Overlapping</u>		
McLennan County	\$ 74,300,000	36.84%
McLennan Community College	44,450,000	36.84%
City of Robinson	34,780,000	4.42%
City of Waco	597,085,000	62.99%
City of Woodway	30,080,000	8.24%
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, 2022

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	
\$	27,372,120
	16,375,380
	1,537,276
	376,103,842
	<u>2,478,592</u>
	423,867,210
	 <u>343,378,287</u>
	<u>\$ 767,245,497</u>
	 11.26%
\$	6,799

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
2022 ⁵	-	-	-	-
2021	263,115	138,956	109,495	53,723
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

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 2022 is not yet available

Table 13

Per Capita Personal Income ³	Unemployment Rate ⁴
-	3.4%
31,204	4.9%
22,461	6.2%
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%

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

Employer	Type of Business	2022		
		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 2022: 116,247

² Total Employment for 2013: 116,550

Table 14

2013		
Employees	Rank	Percentage of Total Employment ²
2,675	1	2.30%
2,397	3	2.06%
2,500	2	2.15%
1,500	8	1.29%
1,800	5	1.54%
1,506	7	1.29%
1,041	10	0.89%
1,656	6	1.42%
1,067	9	0.92%
2,300	4	1.97%
<u>18,442</u>		<u>15.83%</u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Professional Staff:				
Teachers	1,011.1	1,002.7	991.0	982.2
Professional Support:				
Counselor	45.9	39.7	41.6	38.9
Educational Diagnostician	12.5	10.0	6.8	5.4
Librarian	4.9	3.0	2.1	2.3
Occupational Therapist	1.0	1.0	2.8	2.0
School Nurse	9.0	6.9	7.0	6.8
LSSP/Psychologist	4.0	3.0	2.0	1.0
Social Worker	4.0	4.5	4.5	6.4
Speech Therapist/Speech-language Pathologist	15.6	16.0	10.8	9.8
Work-based Learning Site Coordinator	0.6	0.0	0.0	0.0
Athletic Trainer	4.0	4.0	4.0	4.0
Other District Exempt Professional Auxiliary	77.5	81.5	73.7	72.4
Other Campus Exempt Professional Auxiliary	50.0	41.7	46.8	43.7
Instructional Coach (previously Teacher Facilitator)	61.8	83.8	77.2	85.0
Campus Administration:				
Assistant Principal	42.0	43.7	45.6	48.9
Principal	21.3	25.0	24.8	23.0
Registrar	0.0	0.0	0.0	0.0
Central Administration:				
Assistant/Associate/Deputy Superintendent	5.0	5.0	4.7	2.0
District Instructional Program Director or Executive Director	34.6	17.0	11.4	11.0
Superintendent	1.0	1.0	1.0	1.0
Athletic Director	0.9	1.0	1.0	1.0
Business Manager	0.9	1.0	1.0	1.0
Director of Personnel/Human Resources	1.7	4.0	4.0	2.0
Total Professional Staff	<u>1,409.3</u>	<u>1,395.5</u>	<u>1,363.7</u>	<u>1,349.8</u>
Educational Aides	374.2	395.5	409.7	392.9
Auxiliary Staff	<u>518.9</u>	<u>525.3</u>	<u>590.2</u>	<u>567.1</u>
Total Personnel	<u><u>2,302.4</u></u>	<u><u>2,316.3</u></u>	<u><u>2,363.6</u></u>	<u><u>2,309.8</u></u>

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

Table 15

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
1,000.2	994.9	941.8	909.4	894.5	905.7
38.7	38.8	37.3	37.9	38.9	38.4
9.6	9.0	9.1	10.6	9.0	10.0
3.0	3.0	3.9	6.0	7.0	7.0
1.8	2.0	2.0	1.0	2.0	0.0
5.8	18.9	19.9	20.0	20.0	20.1
3.0	4.0	4.0	4.0	4.6	6.6
8.9	8.0	11.0	8.9	5.1	2.0
11.8	14.0	11.4	12.0	12.5	11.7
0.0	0.0	0.0	0.0	0.0	0.0
4.0	4.0	4.0	4.0	4.0	5.0
66.9	68.6	64.6	51.9	43.8	47.0
42.6	44.7	34.4	55.6	49.4	41.7
78.2	72.0	71.6	34.0	28.7	26.2
49.0	47.9	47.4	45.0	44.0	46.5
23.0	24.0	22.0	22.9	23.1	24.0
0.0	0.0	0.0	1.0	1.0	2.0
3.0	4.0	4.0	4.0	0.0	1.0
11.0	8.0	8.0	9.0	18.5	8.0
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	1.0
2.0	2.0	2.0	2.0	2.0	2.0
<u>1,365.5</u>	<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>
406.8	392.3	297.7	225.8	193.8	158.3
<u>571.3</u>	<u>566.3</u>	<u>571.7</u>	<u>528.6</u>	<u>485.5</u>	<u>499.9</u>
<u><u>2,343.6</u></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>

Waco Independent School District

Operating Statistics

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Enrollment ¹	Operating Expenditures ²	Cost per Student	Percentage Change
2022	14,086	227,159,361	16,127	19.81%
2021	14,428	194,210,341	13,461	6.44%
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%

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 ¹
204,891,663	14,546	-0.31%	990	14.23	88.77%
210,510,225	14,590	2.63%	1,003	14.38	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%

Waco Independent School District

Teacher Base Salaries

Last Ten Fiscal Years

Fiscal Year Ended August 31,	District		
	Minimum	Maximum	Average
	Salary ¹	Salary ¹	Salary ²
2022	\$ 50,250	\$ 62,450	\$ 55,644
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

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
\$ 55,159	\$ 54,829	\$ 58,887
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

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

Building	2022	2021	2020	2019
Elementary Schools				
Alta Vista - 1910				
Square Footage	48,872	48,872	48,872	48,872
Capacity	580	594	594	594
Enrollment	504	467	505	502
Bell's Hill - 2012 (new building)				
Square Footage	115,440	115,440	115,440	115,440
Capacity	1,090	900	900	900
Enrollment	757	729	736	775
Brook Avenue - 1999				
Square Footage	45,990	45,990	45,990	45,990
Capacity	500	484	484	484
Enrollment	365	358	365	371
Cedar Ridge - 1954				
Square Footage	56,725	56,725	56,725	56,725
Capacity	650	692	692	692
Enrollment	486	521	542	554
Crestview - 1951				
Square Footage	74,813	74,813	74,813	74,813
Capacity	750	790	790	790
Enrollment	448	472	557	536
Dean Highland - 2011 (new building)				
Square Footage	90,775	90,775	90,775	90,775
Capacity	870	834	834	834
Enrollment	662	634	720	727
Hillcrest - 1953				
Square Footage	47,695	47,695	47,695	47,695
Capacity	440	450	450	450
Enrollment	439	441	440	441
J.H.Hines - 2010 (new building)				
Square Footage	79,285	79,285	79,285	79,285
Capacity	720	680	680	680
Enrollment	412	453	488	516
Kendrick - 1952				
Square Footage	52,330	52,330	52,330	52,330
Capacity	500	582	582	582
Enrollment	471	509	531	501
Lake Air Montessori - 1957				
Square Footage	111,198	111,198	111,198	111,198
Capacity	920	746	746	746
Enrollment	717	747	786	775
Mountainview - 1957				
Square Footage	48,427	48,427	48,427	48,427
Capacity	520	550	550	550
Enrollment	388	399	400	375
Parkdale - 1960				
Square Footage	56,382	56,382	56,382	56,382
Capacity	570	692	692	692
Enrollment	588	622	673	669

Table 18

2018	2017	2016	2015	2014	2013
47,336	47,336	47,336	47,336	47,336	47,336
594	594	594	594	594	594
498	518	559	520	514	507
115,440	115,440	115,440	115,440	115,440	115,440
900	900	900	900	900	900
754	775	787	816	808	915
45,990	45,990	45,990	45,990	45,990	45,990
484	484	484	484	484	484
372	368	375	391	424	433
56,725	56,725	56,725	56,725	56,725	56,725
692	692	692	692	692	692
567	594	607	627	667	698
74,813	74,813	74,813	74,813	74,813	74,813
790	790	790	790	790	790
608	676	767	703	714	763
90,775	90,775	90,775	90,775	90,775	90,775
834	834	834	834	834	834
739	815	793	762	792	780
47,695	47,695	47,695	47,695	47,695	47,695
450	450	450	450	450	450
430	437	422	436	434	435
79,285	79,285	79,285	79,285	79,285	79,285
680	680	680	680	680	680
503	519	552	527	520	484
52,042	52,042	52,042	52,042	52,042	52,042
582	582	582	582	582	582
530	542	529	520	526	507
109,662	109,662	109,662	109,662	109,662	109,662
746	746	746	746	746	746
710	682	654	683	698	776
48,427	48,427	48,427	48,427	48,427	48,427
550	550	550	550	550	550
382	421	434	445	445	435
54,846	54,846	54,846	54,846	54,846	54,846
692	692	692	692	692	692
620	629	608	627	567	530

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

Building	2022	2021	2020	2019
Elementary Schools				
Provident Heights - 1999				
Square Footage	45,990	45,990	45,990	45,990
Capacity	520	484	484	484
Enrollment	373	363	376	367
South Waco - 1988				
Square Footage	65,003	65,003	65,003	65,003
Capacity	820	724	724	724
Enrollment	480	479	542	504
West Avenue - 2001				
Square Footage	51,429	51,429	51,429	51,429
Capacity	490	428	428	428
Enrollment	305	298	355	338
Middle Schools				
Cesar Chavez - 2003				
Square Footage	128,525	128,525	128,525	128,525
Capacity	1,060	1,075	1,075	1,075
Enrollment	876	931	931	865
G.W. Carver - 1956 ¹				
Square Footage	-	71,317	106,934	106,934
Capacity	-	900	900	900
Enrollment	444	461	432	488
Indian Spring (A.J. Moore) - 1970				
Square Footage	139,180	139,180	139,180	139,180
Capacity	930	700	700	700
Enrollment	513	528	558	519
Tennyson - 1960				
Square Footage	114,581	114,581	114,581	114,581
Capacity	790	1,250	1,250	1,250
Enrollment	959	939	920	921
High Schools				
University - 2011 (new building)				
Square Footage	355,513	355,513	355,513	355,513
Capacity	2,150	1,920	1,920	1,920
Enrollment	1,672	1,763	1,684	1,652
Waco - 1961				
Square Footage	346,177	346,177	346,177	346,177
Capacity	2,480	2,165	2,165	2,165
Enrollment	1,964	2,122	2,063	2,053
Alternative Schools				
Brazos High Credit Recovery - 1950				
Square Footage	59,762	59,762	59,762	59,762
Capacity	370	240	240	240
Enrollment	118	162	192	223
McLennan County Challenge Academy - 1968				
Square Footage	55,061	55,061	55,061	55,061
Capacity	75	75	75	75
Enrollment	38	13	34	31

Table 18

2018	2017	2016	2015	2014	2013
45,990	45,990	45,990	45,990	45,990	45,990
484	484	484	484	484	484
386	419	341	404	442	432
65,003	65,003	65,003	65,003	65,003	65,003
724	724	724	724	724	724
526	523	531	555	552	569
51,429	51,429	51,429	51,429	51,429	51,429
428	428	428	428	428	428
382	367	353	365	375	402
128,525	128,525	128,525	128,525	128,525	128,525
1,075	1,075	1,075	1,075	1,075	1,075
847	891	859	910	898	955
106,934	106,934	106,934	106,934	106,934	106,934
900	900	900	900	900	900
477	451	460	473	503	471
139,180	139,180	139,180	139,180	139,180	139,180
700	700	700	700	700	700
524	583	575	579	618	548
114,581	114,581	114,581	114,581	114,581	114,581
1,250	1,250	1,250	1,250	1,250	1,250
930	947	881	902	825	821
355,513	355,513	355,513	355,513	355,513	355,513
1,920	1,920	1,920	1,920	1,920	1,920
1,735	1,725	1,667	1,610	1,537	1,659
346,177	346,177	346,177	346,177	346,177	346,177
2,165	2,165	2,165	2,165	2,165	2,165
1,971	1,866	1,809	1,799	1,732	1,654
59,762	59,762	59,762	59,762	59,762	59,762
240	240	240	240	240	240
223	198	235	199	169	144
55,061	55,061	55,061	55,061	55,061	55,061
75	75	75	75	75	75
22	37	31	20	54	74

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

Building	2022	2021	2020	2019
G.L. Wiley Opportunity Center- 1938				
Square Footage	71,196	71,196	71,196	71,196
Capacity	420	75	75	75
Enrollment	107	17	69	53
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	265	314	273	187
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	277	393	317	215

Source: District facilities records - Square footage
District Demographic Studies 2016-2017 & 2021-2022 - 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. The remaining buildings were demolished in early 2022 to make way for the reconstruction of the campus. Residing students were moved to the Indian Springs Middle School for the 2021-2022 and 2022-2023 school years.

Table 18

2018	2017	2016	2015	2014	2013
71,196	71,196	71,196	71,196	71,196	71,196
75	75	75	75	75	75
67	71	117	77	80	93
61,096	61,096	61,096	61,096	61,096	48,888
350 - 375	350 - 375	350 - 375	350 - 375	350 - 375	550
204	170	150	150	55	-
35,694	35,694	35,694	35,694	35,694	35,694
300 - 325	300 - 325	300 - 325	264	264	264
170	200	75	-	-	-

Compliance, Internal Control, and Federal Awards

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waco Independent School District (the District) as of and for the fiscal year ended August 31, 2022 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 20, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
January 20, 2023

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

Opinion on Each Major Federal Program

We have audited Waco Independent School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2022. 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.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

The Board of Trustees of
Waco Independent School District

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
January 20, 2023

**Waco Independent School District
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2022**

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 Section 2 CFR 200.516(a)? | No |
| 7. Identification of Major Programs | Special Education Cluster – 84.027 & 84.173
COVID-19 – Emergency Connectivity Fund-32.009
COVID-19 – Education Stabilization Fund – 84.425 |
| 8. Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs | \$1,346,994 |
| 9. Auditee Qualified as a Low-Risk Auditee? | Yes |

SECTION 2 – FINANCIAL STATEMENT FINDINGS

None reported

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

**Waco Independent School District
Summary Schedule of Prior Audit Findings
For the Year Ended August 31, 2022**

Prior Year Findings

None Reported

Waco Independent School District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

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.S. Department of Education			
Passed Through State Department of Education:			
ESSA Title I, Part A - Improving Basic Programs	84.010A	23610101161914	\$ 562,818
ESSA Title I, Part A - Improving Basic Programs	84.010A	22610101161914	5,421,040
ESSA Title I, Part A - Improving Basic Programs	84.010A	21610101161914	186,885
ESSA Title I, Part A - Improving Basic Programs	84.010A	20610101161914	145,919
ESSA Title I 1003(A) Priority & Focus School Grant	84.010A	22610141161914	100,123
ESSA Title I 1003(A) Priority & Focus School Grant	84.010A	21610141161914	15,612
ESSA Title I, 1003 ESF Focused Support Grant	84.010A	226101577110053	589,152
Total Assistance Listing Number 84.010A			7,021,549
Special Education Cluster (IDEA):			
IDEA - Part B Formula	84.027A	226600011619146600	2,884,279
IDEA - Part B Formula	84.027A	216600011619146600	42,988
IDEA - Part B Formula	84.027A	206600011619146600	14,317
SSA-IDEA-Part B-Discretionary (Deaf)	84.027A	236600011619146673	735
SSA-IDEA-Part B-Discretionary (Deaf)	84.027A	226600011619146673	41,044
SSA-IDEA-Part B-Discretionary (Deaf)	84.027A	216600011619146673	7
IDEA-Part B, Formula-American Rescue Plan (ARP)	84.027A	225350011619145000	142,956
Total Assistance Listing Number 84.027A			3,126,326
IDEA - Part B Preschool	84.173A	226610011619146610	35,023
Total Assistance Listing Number 84.173A			35,023
Total Special Education Cluster (IDEA)			3,161,349
Career and Technical - Basic Grant	84.048A	23420006161914	44,290
Career and Technical - Basic Grant	84.048A	22420006161914	221,242
Career and Technical - Basic Grant Ptech	84.048A	213922027110016	3,938
Total Assistance Listing Number 84.048A			269,470
ESSA Title X, Part C McKinney-Vento Homeless Education	84.196A	224600057110072	80,850
Total Assistance Listing Number 84.196A			80,850
ESEA Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	23671001161914	13,242
ESEA Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	22671001161914	283,523
ESEA Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	21671001161914	(461)
ESEA Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	20671001161914	16,738
Total Assistance Listing Number 84.365A			313,042
ESSA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	23694501161914	10,196
ESSA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	22694501161914	514,400
ESSA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	21694501161914	154,451
ESSA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	20694501161914	79,416
ESSA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	22694501161914	531
Total Assistance Listing Number 84.367A			758,994
Summer School LEP	84.369A	69551402	34,540
Total Assistance Listing Number 84.369A			34,540
Texas Title I Priority Schools, Cycle 5	84.377A	176107327110017	(172)
Total Assistance Listing Number 84.377A			(172)

Waco Independent School District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

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 IV, Part A - Student Support and Academic Enrichment Program	84.424A	23680101161914	10,063
ESSA Title IV, Part A - Student Support and Academic Enrichment Program	84.424A	22680101161914	177,738
ESSA Title IV, Part A - Student Support and Academic Enrichment Program	84.424A	21680101161914	5,471
ESSA Title IV, Part A - Student Support and Academic Enrichment Program	84.424A	20680101161914	173,119
Total Assistance Listing Number 84.424A			366,391
COVID-19 Elementary and Secondary School Emergency Relief	84.425D	20521001161914	26,518
COVID-19 Elementary and Secondary School Emergency Relief II	84.425D	21521001161914	5,943,164
COVID-19 Elementary and Secondary School Emergency Relief III	84.425U	215330017110082	9,417,956
COVID-19 Elementary and Secondary School Emergency Relief III-TCLAS High Quality Afterschool Care	84.425U	215280587110161	62,145
COVID-19 Texas COVID Learning Acceleration Supports (TCLAS)	84.425U	21528042161914	1,183
COVID-19 American Rescue Plan Elementary & Secondary School Emergency Relief Fund-Homeless Children and Youth (ARP-HCY)	84.425W	21528001161914	21,682
Total Assistance Listing Number 84.425			15,472,648
Total U.S. Department of Education			27,478,661
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster:			
Passed Through State Department of Education - Cash Assistance:			
School Breakfast Program	10.553	714022	2,361,767
Total Assistance Listing Number 10.553			2,361,767
Passed Through State Department of Education - Cash Assistance:			
National School Lunch Program	10.555	713022	7,465,185
Supply Chain Assistance Grant Reallocation	10.555	6TX300400	88,444
Passed Through State Department of Agriculture - Non-Cash Assistance:			
National School Lunch Program	10.555	75123661	1,018,655
Total Assistance Listing Number 10.555			8,572,284
Passed Through State Department of Agriculture - Cash Assistance:			
Summer Feeding Program	10.559	75123661	225,224
Total Assistance Listing Number 10.559			225,224
Fresh Fruit and Vegetable Program	10.582	75123661	245,536
Total Assistance Listing Number 10.582			245,536
Total Child Nutrition Cluster			11,404,811
Passed Through State Department of Agriculture - Cash Assistance:			
Child and Adult Care Food Program	10.558	75123661	369,018
Total Assistance Listing Number 10.558			369,018
Total U.S. Department of Agriculture			11,773,829
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	12.000	N/A	123,897
Passed Through McLennan County:			
Payments in Lieu of Real Estate Taxes	12.112	N/A	1,971
Total U.S. Department of Defense			125,868

Waco Independent School District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

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 Justice</u>			
Passed Through State Department of Education: STOP School Violence-Mental Health Cycle 2	16.839	2018YSBX0135	<u>12,368</u>
Total U.S. Department of Justice			<u>12,368</u>
<u>U.S. Department of Labor</u>			
Passed through State Department of Education: P-TECH Planning and Implementation	17.258	213933017110016	<u>38,644</u>
Total U.S. Department of Labor			<u>38,644</u>
<u>U.S. Department of Treasury</u>			
Direct Program: Volunteer Income Tax Assistance (VITA)	21.009	21VITA0122	<u>7,843</u>
Total U.S. Department of Treasury			<u>7,843</u>
<u>Federal Communications Commission</u>			
Passed through Universal Service Administrative Company (USAC) - Non-Cash Assistance: COVID-19 - Emergency Connectivity Fund	32.009	ECF202114721	<u>5,230,983</u>
Total Federal Communications Commission			<u>5,230,983</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>231,610</u>
Total U.S. Department of Health and Human Services			<u>231,610</u>
Total Expenditures of Federal Awards			<u>\$ 44,899,806</u>

Waco Independent School District
Notes to Schedule of Expenditures of Federal Awards

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. Non-cash commodities and equipment 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 (SHARS) Program, E-rate, Impact Aid, 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	\$ 44,899,806
Student Health and Related Services Program (SHARS)	2,530,455
Universal E-rate	<u>127,516</u>
Total federal program revenues - Exhibit C-2	<u>\$ 47,557,777</u>

Waco Independent School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2022

Waco Independent School District
Schools FIRST Questionnaire (Unaudited)
For the Year Ended August 31, 2022

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.	\$ 9,690,217

Waco Independent School District

Board Meeting

January 26, 2023



Overview

- Introductions
- Audit Process
- Audit Results
- Auditor Communications
- Financial Highlights

Introductions



At Weaver, there are no “one-size-fits-all” solutions. We combine leading technical knowledge with specific industry experience to provide highly customized services tailored to each client’s needs.

Services

Advisory Services

- ▶ Risk advisory services
- ▶ IT advisory services
- ▶ Transaction advisory services
- ▶ Forensic and litigation services

Assurance Services

- ▶ Audit, review and compilation
- ▶ Agreed-upon procedures
- ▶ Employee benefit plan audit
- ▶ SOC reporting
- ▶ Attestation services
- ▶ IFRS assessment and conversion

Tax Services

- ▶ Federal tax
- ▶ State and local tax
- ▶ International tax
- ▶ Private client services



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Top 35 Firm
nationwide



A WorldWide Alliance of Independent Accounting Firms

Best of the Best Firms (2020)

Engagement Leadership



John DeBurro, CPA

Partner,
Assurance Services

- ✓ 20+ years of public accounting experience
- ✓ Dedicated to serving public sector clients
- ✓ GFOA Special Review Committee Member

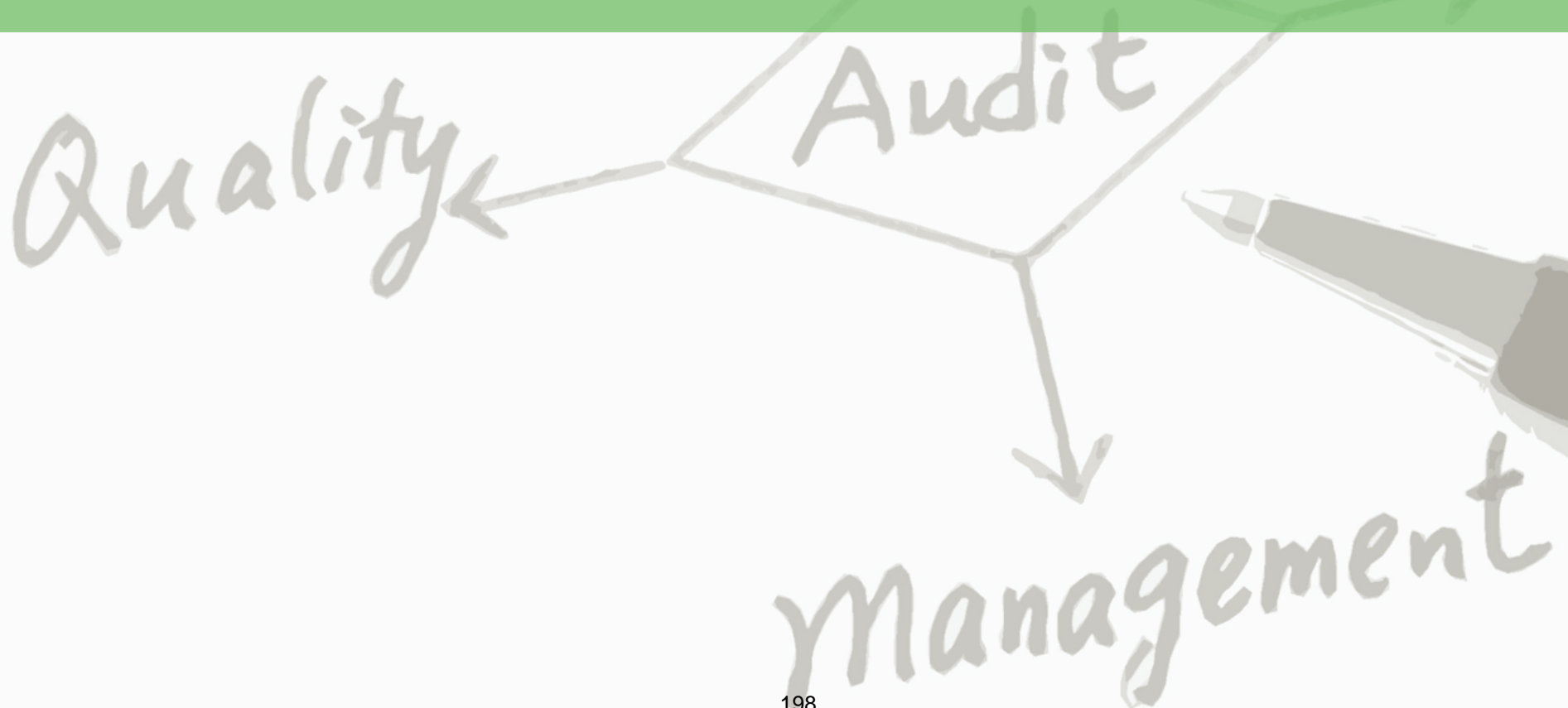
Justin Herbert

Senior Associate,
Assurance Services

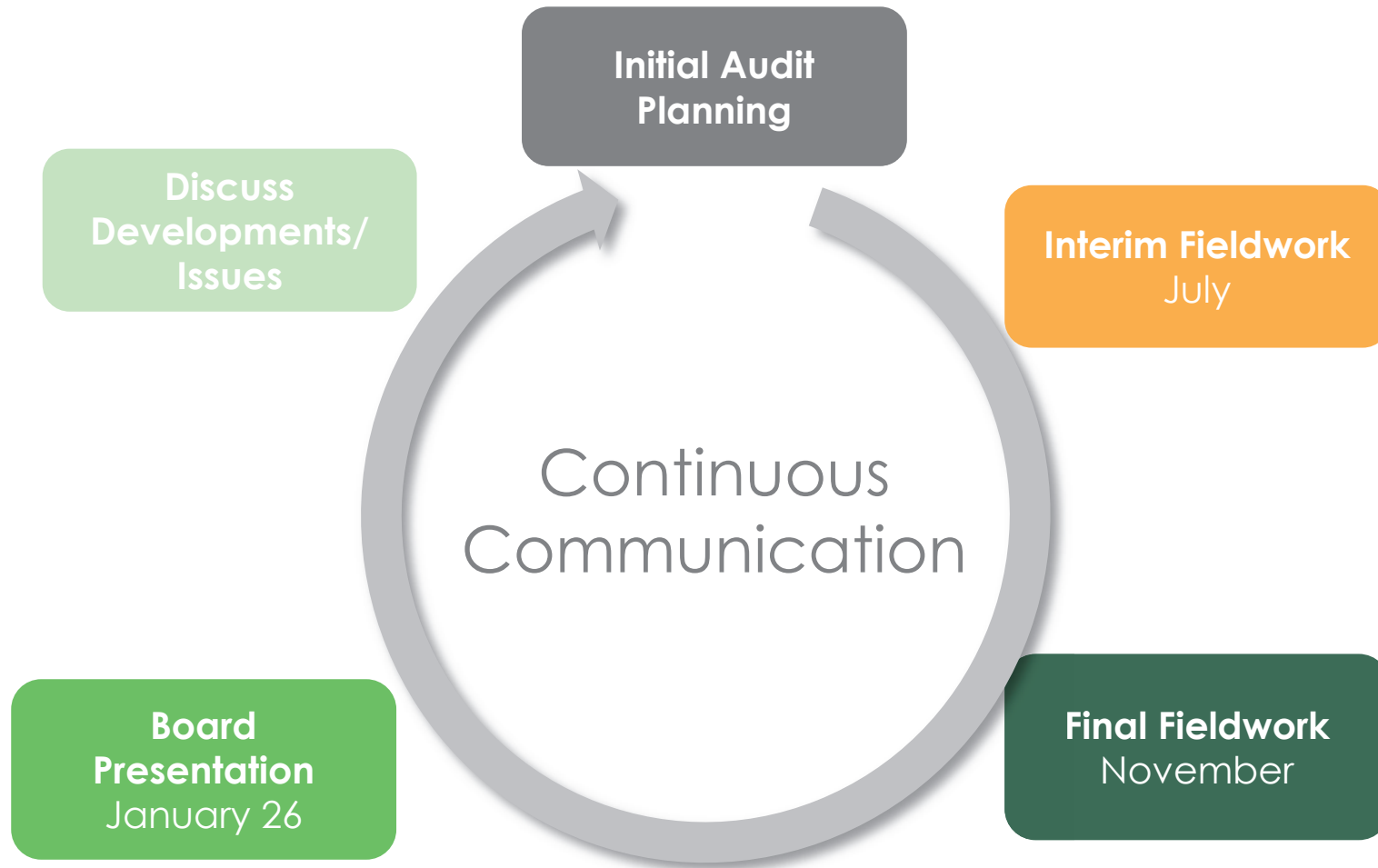
- ✓ 14 years of public accounting experience
- ✓ Dedicated to serving public sector clients

Available Throughout the Year to Discuss Issues

Audit Process



Engagement Timeline



Audit Process

- **Audit Standards** — Performed the audit in accordance with *Generally Accepted Auditing Standards (GAAS)* and *Generally Accepted Government Auditing Standards (GAGAS)*
- **Single Audit** — Performed the single audit of federal awards in accordance with the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*
- **Compliance** — Performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, including items such as compliance with procurement PFIA and TEA State Compliance requirements.

Audit Process

- **Risk-based approach** focused on specific risks, such as:
 - Federal and state grant revenues and expenditures and compliance with related grant requirements
 - State Foundation School Program revenue and related estimates
 - Construction projects, purchasing and bid requirements
 - Payables, accrued liabilities, and expenditures

Audit Process

- **Walkthroughs** of accounting controls over significant transaction cycles
- **Performance of tests of internal control over compliance, as well as, tests for compliance related to major federal financial assistance programs.** (3 Major Programs: Special Education Cluster, Emergency Connectivity Fund and Education Stabilization Fund - ESSER)
- **Compliance testing**
 - Public Funds Investment Act
 - TEA State Compliance requirements

Audit Process

- **Capital Projects/Construction testing**
- **Bid/Procurement testing**
- **Tests of controls over:**
 - Cash disbursements
 - Payroll
- **Substantive testing of account balances** using a combination of vouching of material transactions, sampling, and analytical procedures

Audit Results

Audit Results

- We have issued the Independent Auditor's Report on the financial statements
 - ✓ **Unmodified Opinion**
- We have issued the 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
 - ✓ **No significant deficiencies noted**
 - ✓ **No material weaknesses noted**
- We have issued the Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance in Accordance with Uniform Guidance
 - ✓ **Unmodified Opinion**
 - ✓ **No findings noted**



Auditor Communications

for the year ended August 31, 2022



Auditor Communications



Professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.

There were no **known or likely misstatements** identified during the audit, other than those that are trivial.

The following are the most significant estimates embodied in the District's financial statements. Management's estimates were found to be reasonable based on our evaluation of key factors and assumptions used to develop the estimates:

- ▶ Estimate for State Foundation revenue
- ▶ Allowance for uncollectible taxes

ADDITIONAL ISSUES

- » No material errors, irregularities or illegal acts noted
- » No transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus
- » No difficulties or disagreements arose during the course of our audit
- » No independence issues noted
- » No consultations or request for a second opinion from other accountants
- » District implemented GASB 87, *Leases* which required right-to-use lease assets and a lease liability to be recorded on the District's financial statements.

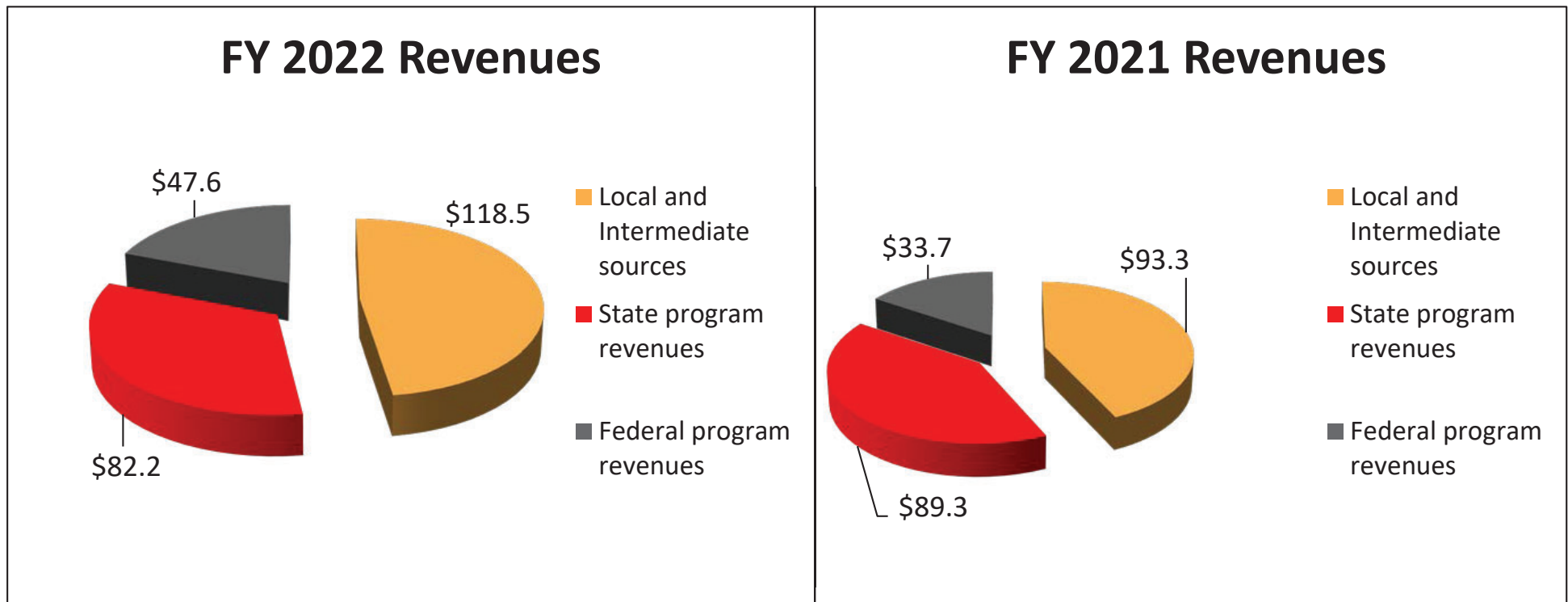


Financial Highlights

Financial Highlights

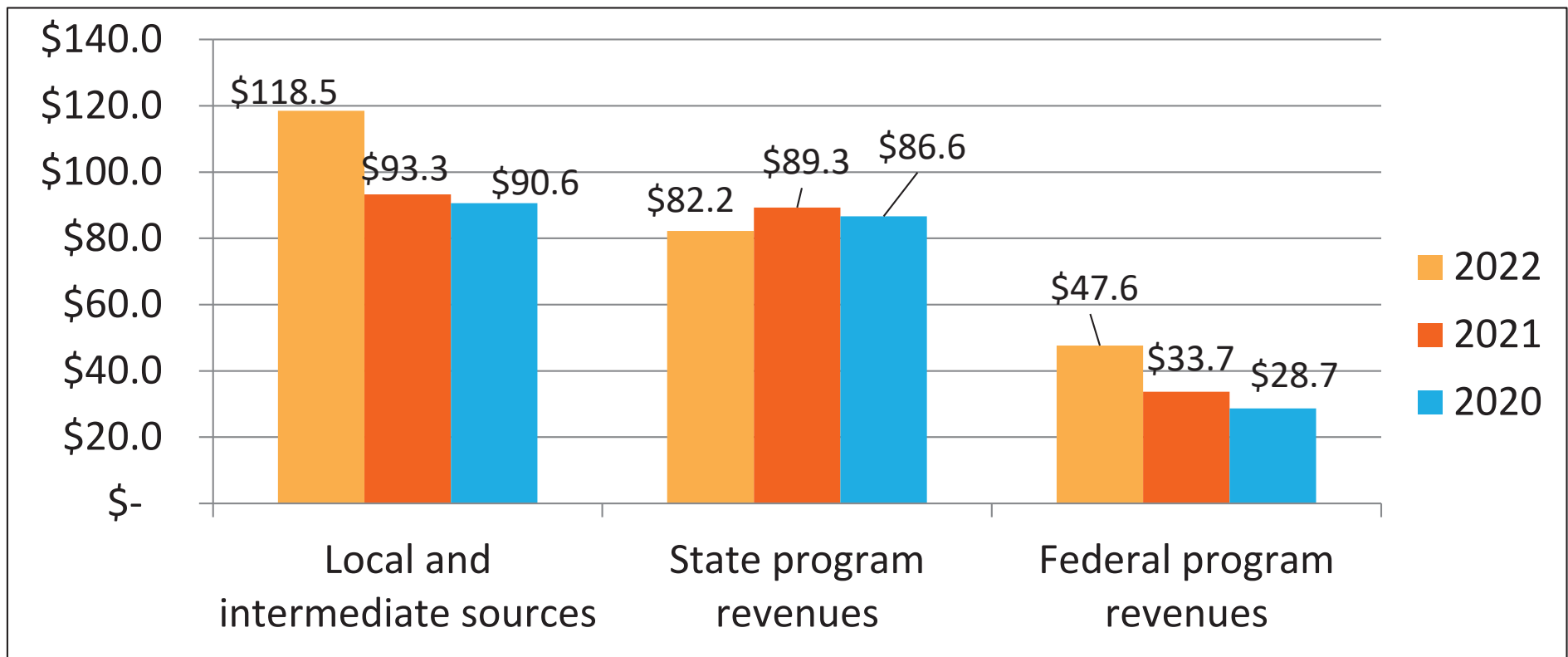
Comparison of Revenues by Source

Governmental Funds Revenues for the FY 2022 totaled \$248.3 million, a \$32.0 million or 14.8% increase. Increase is attributable to a \$13.9M increase in federal program revenues and a \$25.2M increase in local revenues, primarily the result of insurance recoveries.



Financial Highlights

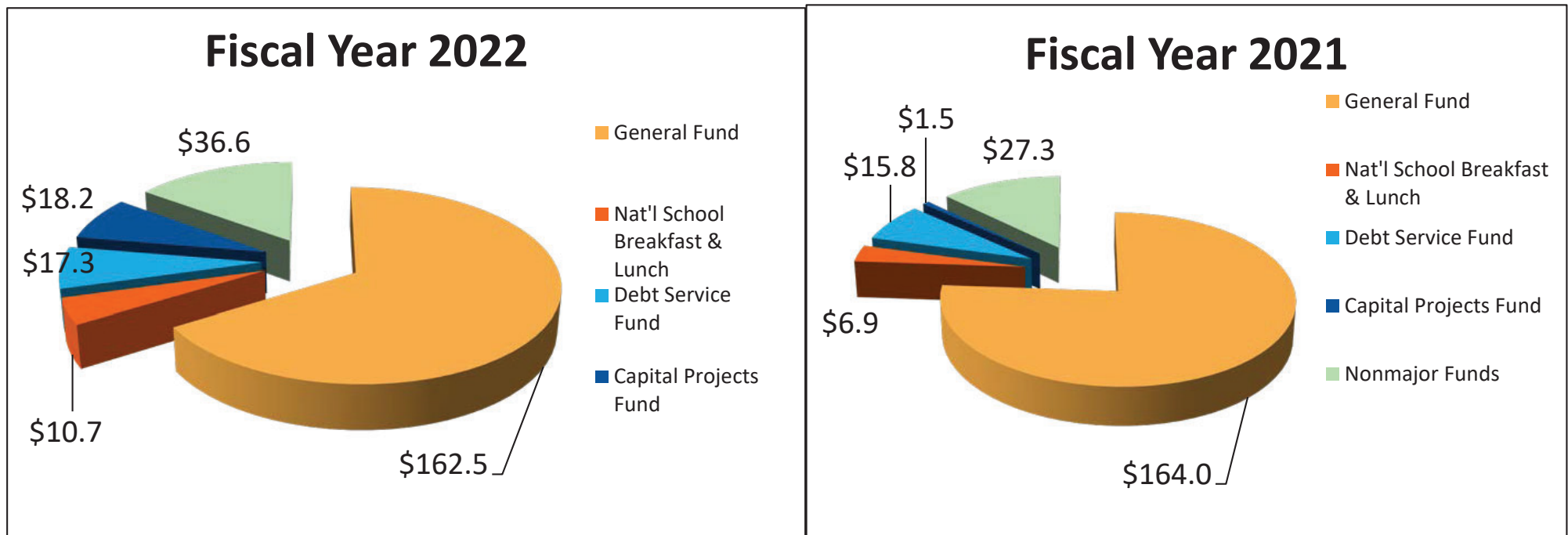
Comparison of Governmental Funds Revenues by Source



(3-year comparison in millions of dollars)

Financial Highlights

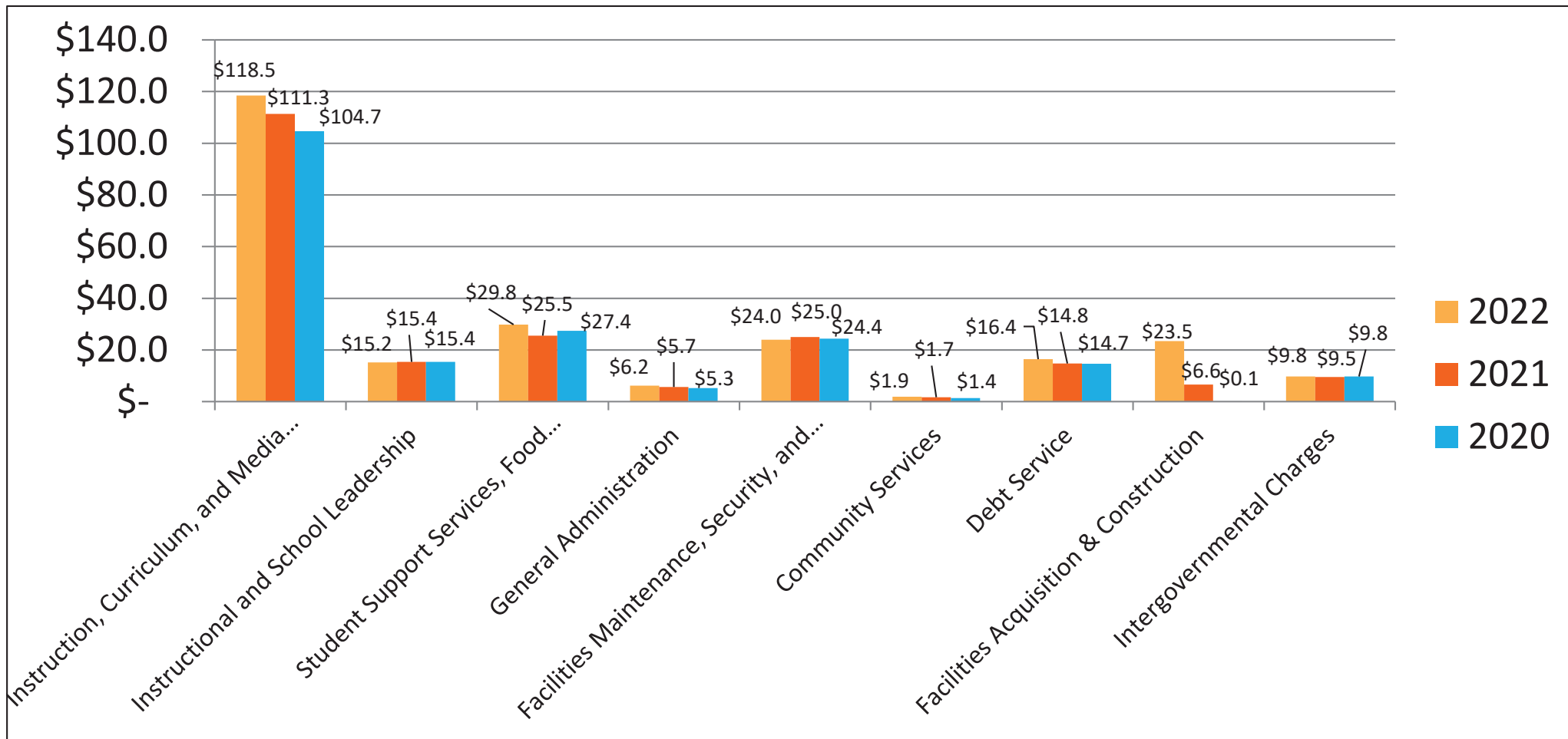
Comparison of Governmental Expenditures by Fund (In millions of dollars)



Governmental Funds Expenditures for FY2022 totaled \$245.3M, a \$29.8M or 13.8% increase. The increase is primarily attributed to a \$16.9M increase in facilities acquisition and construction and a \$7.2M increase in instruction, curriculum and media services.

Financial Highlights

Comparison of Governmental Funds Expenditures *



*(3-year comparison in millions of dollars) 213

Financial Highlights



Fund Balances

Governmental Funds' Fund Balances

The District's governmental funds reported a combined ending fund balance of \$267.1 million at August 31, 2022 as follows:

• General Fund	\$55,253,929
• Natl Breakfast/Lunch	5,676,286
• Debt Service Fund	4,006,234
• Capital Projects Fund	201,458,495
• Other Funds	<u>657,019</u>
	<u>\$267,051,963</u>

- Overall, Governmental Funds' fund balance increased by \$204.8 million primarily due to the issuance of \$189,500,000 of School Building Bonds.
- Unassigned fund balance in the General Fund (\$45.7M) represents 28.1% of General Fund expenditures.



Budgetary Highlights – General Fund

The District had an overall favorable budget variance of \$13.9 million - net change in fund balance. This variance is primarily the net effect of:

- Revenues were under budget by \$4.3 million
- Expenditures were below budget by \$19.3 million, or 10.6%.

We appreciate the opportunity to work with **Waco ISD** and look forward to our continued relationship.



DISCUSSION

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Email: Justin.herbert@weaver.com

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